

**CITY OF GROSSE POINTE WOODS, MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2006  
(With Independent Auditors' Report Thereon)**

**Prepared by:**

**Office of the City Comptroller**

**City of Grosse Pointe Woods, Michigan**  
**Index**  
**June 30, 2006**

---

	<b>*Page(s)</b>
<b>Section</b>	
<b>I. INTRODUCTION</b>	
City Officials.....	1
Letter of Transmittal.....	2-9
Certificate of Achievement for Excellence in Financial Reporting .....	10
Organization Chart .....	11
<b>II. FINANCIAL SECTION – GENERAL PURPOSE FINANCIAL STATEMENTS</b>	
Report of Independent Auditors.....	12-13
Management Discussion and Analysis.....	14-27
Statement of Net Assets .....	28
Statement of Activities.....	29
Balance Sheet – Governmental Funds .....	30
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets .....	31
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds.....	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	33
Statement of Net Assets – Proprietary Funds.....	34
Statement of Revenues, Expenditures, and Changes in Fund Net Assets Proprietary Funds .....	35
Statement of Cash Flows –Proprietary Funds .....	36
Statement of Fiduciary Net Assets – Fiduciary Funds .....	37
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Pension Trust Funds.....	38

	Page(s)
Notes to Financial Statements .....	39–60
<b>Section</b>	
<b>II. FINANCIAL SECTION – SUPPLEMENTAL FINANCIAL DATA</b>	
<b>A. Required Supplementary Information</b>	
Schedule of Funding Progress – Pension Plan.....	61
Schedule of Employer Contributions – Pension Plan .....	62
Schedule of Funding Progress – Supplemental Annuities .....	63
Schedule of Employer Contributions – Supplemental Annuities .....	64
Required Supplementary Information – Budgetary Comparison Schedule – Major Governmental Funds .....	65–67
<b>B. General Fund</b>	
Balance Sheet.....	68
Schedule of Revenues – Budget versus Actual.....	69
<b>C. Special Revenue Funds</b>	
Combining Balance Sheet.....	70–71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget Versus Actual.....	72–76
<b>D. Debt Service Funds</b>	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget Versus Actual Major Debt Service Fund.....	77
Combining Balance Sheet.....	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget Versus Actual.....	79

**City of Grosse Pointe Woods, Michigan**  
**Index**  
**June 30, 2006**

---

	<b>Page(s)</b>
<b>E. Non-Major Capital Projects Fund</b>	
Combining Balance Sheet.....	80
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances Budget Versus Actual.....	81
<b>F. Enterprise Funds</b>	
Combining Balance Sheet.....	82
Combining Statement of Revenues, Expenditures and Changes in Retained Earnings .....	83
Combining Statement of Cash Flows .....	84
<b>Section</b>	
<b>II. FINANCIAL SECTION – SUPPLEMENTAL FINANCIAL DATA</b>	
<b>G. Internal Service Funds</b>	
Combining Balance Sheet.....	85
Combining Statement of Revenues, Expenditures and Changes in Retained Earnings .....	86
Combining Statement of Cash Flows .....	87
<b>H. Trust and Agency Funds</b>	
Combining Balance Sheet – Trust and Agency Funds .....	88
Combining Statement of Changes in Net Assets .....	89
Combining Balance Sheet – Agency Funds.....	90
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds – Agency Funds.....	91

**City of Grosse Pointe Woods, Michigan**  
**Index**  
**June 30, 2006**

---

	<b>Page(s)</b>
<b>Section</b>	
<b>III. STATISTICAL SECTION (Unaudited) (Continual Disclosure Undertaking)</b>	
Economic Condition Reporting.....	92
Assessed Valuation History.....	93
Tax Rate and Tax Levy History .....	94
City Tax Collection History .....	95
Grosse-Gratiot Drain Tax Collection History .....	96
General Bonded Debt History .....	97
Schedule of Legal Debt Margin .....	98
Schedule of Direct and Overlapping Debt .....	99
Water and Sewer System Revenue Bond – Revenue Bond Coverage .....	100
Municipal Insurance Coverage.....	101
Salaries and Surety Bonds of Principal Officials .....	102
General Fund Expenditures and Other Uses History .....	103
General Fund Revenue History – Excluding Property Taxes, Special Assessments and Interfund Transfers .....	104
Principal Taxpayers.....	105
Demographic Statistics.....	106
New Construction, Property Value and Bank Deposits .....	107
Breakdown of Fund Balances - Governmental Funds.....	108
Change in Government Net Assets .....	109
Net Assets by Component.....	110
Changes in Business Type Net Assets .....	111
Miscellaneous Statistical Data .....	112

**CITY OF GROSSE POINTE WOODS, MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006  
SECTION I - INTRODUCTION**

**City of Grosse Pointe Woods, Michigan**  
**City Officials**  
**June 30, 2006**

---

**MAYOR**

ROBERT E. NOVITKE

**CITY COUNCIL**

MAYOR PRO-TEM  
COUNCILWOMAN  
COUNCILMAN  
COUNCILWOMAN  
COUNCILMAN  
COUNCILWOMAN

ALLEN DICKINSON  
LISA PINKOS-HOWLE  
DARRYL A. SPICHER  
DONA DESANTIS REYNOLDS  
PETE WALDMEIR  
VICTORIA GRANGER

**CITY  
ADMINISTRATOR**

MARK WOLLENWEBER

**CITY COMPTROLLER/  
TREASURER**

CLIFFORD J. MAISON

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP



## CITY OF GROSSE POINTE WOODS

20025 Mack Plaza Drive  
Grosse Pointe Woods, Michigan 48236-2397

November 14, 2006

To the Honorable Mayor and City Council of the  
City of Grosse Pointe Woods, Michigan

The Comprehensive Annual Financial Report (C.A.F.R.) of the City of Grosse Pointe Woods, Michigan, for the fiscal year ended June 30, 2006 is submitted herewith, in accordance with provisions of Section 8.7 (Charter) of the City of Grosse Pointe Woods and the rules and regulations as put forward by the State of Michigan Department of Treasury. This report was prepared by and is the responsibility of the City's Finance Department. This document represents the official report of the City's financial operations to its residents, elected officials, employees, investment firms, banks and rating and regulatory agencies and other interested parties. The data as presented in the report is accurate in all material respects, is shown in a manner designed to clearly and fairly set forth the financial activity of all the various funds established and utilized by the City and that all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing firm of PricewaterhouseCoopers L.L.P performed the annual audit of the City of Grosse Pointe Woods financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

### **Format**

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. This narrative details the Finance Director's letter of transmittal and introduces the reader to the City's financial background, the legal requirements he is expected to follow and details of financial/economic events that occurred during the year and the impact that they had on the financial statements. It is important to note that this letter complements the Management and Discussion Analysis (M.D.A.) which is found in the financial section. The introductory section also includes the municipality's organizational chart and a list of principal officials. The financial section includes the M.D.A. of the basic financial statements and the combining and individual fund statements, schedules and accompanying footnotes to the financial statements, and most importantly the auditor's opinion on the financial statements and supporting documentation. The statistical section, which is unaudited, includes selected financial and demographic information, where practical, presented on a multiyear basis. Also included in the statistical section is selected information required by the United States Securities and Exchange Commission depicting necessary disclosures in regards to the 2004 Park Refunding Bonds, 2003 Water and Sewer Revenue Bonds and the 1993 Water and Sewer Refunding Bonds.



**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

This document consists of management's representations concerning the finances of the City of Grosse Pointe Woods. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, City management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To insure that the City's system of internal controls are providing the security that is needed the City's auditors are routinely consulted before any changes are made to the system and are requested to advise management of any improvements that would benefit operations. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Reporting Entity**

This report includes all funds for which the City's elected officials have operational and financial authority. This authority implies that the elected and administrative officials are legally responsible for establishing and implementing the fiscal policies and overseeing the financial management of the City. Where required, actual results of individual government funds are shown with its original/amended budgetary appropriations. This required disclosure allows the reader to compare the effectiveness of the administration to stay within the spending guidelines (budget) established by the Mayor and City Council during the budget process and to disclose other variations that may occur during the course of the fiscal year.

**Legal Requirement**

This report has been prepared pursuant to and in compliance with Michigan Department of Treasury regulations, which, in part, requires that an annual independent audit of the City's financial records of accounts and transactions be performed. The opinion by the City's independent auditor, PricewaterhouseCoopers L.L.P. dated October 21, 2006, on the basic financial statements and individual fund statements and schedules is included in the Financial Section of this report. A separately issued Single Audit Report previously completed for the Federal Grant Fund is no longer required under the Federal Single Audit Act. Total federal grant expenditures of (\$41,852) were less than \$500,000, which is the minimum expenditure limit, needed to be subject to the regulations of the Single Audit Act. Due to the minimum amount of monies received by the Grant Program the City is designated as a sub-grantee and coordinates its program through the Wayne County Block Grant Program.

Consistent with previous years, it is the intent and responsibility of the Administration to effectively adhere to the fiscal policies and initiatives established by the City Council while remaining cost-efficient and responsive to the needs of the residents. Many of the financial policies and procedures established by the City Council are detailed in the City's annual budget. In accordance with the City Charter, the City Administrator by April 1st will have presented his budgetary estimates of revenues and expenditures of all the City's funds (excluding Trust & Agency Funds and selected Special Revenue Funds) to the Mayor and City Council. These estimates are then forwarded to the City's Finance Committee, which performs a thorough review of the operational, financial and capital components of the budget. Upon completing their review the budget with recommendations is presented back to the Mayor and City Council for their review and comments. The proposed budget document is formally approved by the Mayor and City Council no later than the third Monday in May. Throughout the course of the fiscal year the Finance Committee may review any significant changes to

**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

the original budget document as recommended by the City Administrator. Per the City Charter the Mayor and City Council must formally approve any proposed adjustments to the budget. This process allows the City to remain flexible to changes in the revenue and expenditure patterns that occur throughout the year as well as keeping the elected officials updated on the financial condition of the City. Following the passage of the budget, a summary of the completed document is made available to all of the residents through a quarterly newsletter published by the City as well as in the community's local newspaper and annual City calendar.

The City's long-term financial stability as shown by the positive fund balance(s) in its major funds is the result of a strong and continuous commitment to fundamental principles of fiscal integrity accomplished by the following: (1) periodic reviews of budgetary and financial controls/policies by all members of the Administration and as well as members of the City's Finance Committee; (2) long-term financial and capital planning with bench marks for optimal fund balance levels; (3) continued excellence in financial reporting; (4) adherence to the annual financing of its capital projects program; (5) ongoing examination of the City's tax base both residential and commercial to ensure a continual focus on future projects and developments which strengthen and enhance the tax base and (6) restricting the annual installment of long term debt (general long-term obligation(s)) to less than two mills of taxable value. The City's ability to maintain a manageable debt burden has allowed it to have the necessary financial resources to continue to provide a full compliment of activities and services to its citizens.

The City's financial staff undertakes an annual review of its operating, technical and reporting systems. Whenever possible, progressive steps are continually taken to strengthen the City's set of internal controls to ensure that its assets are properly accounted for. Presently all of the principal functions of the City Comptroller's office are fully automated with all members of the staff cross trained to operate the various operating systems of the department.

In developing and/or changing the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition.
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets and liabilities.

The concept of reasonable assurance recognizes that the cost of implementing a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. As demonstrated by the statements and schedules included in the financial section of this report, as well as the information provided with the management and discussion section the City continues to meet its responsibility for sound financial management.

Concurrent with the budget process, the City also prepares an annual capital improvement document, which details all major expenditures (in excess of \$10,000) for all of the City buildings and equipment, and infrastructure needs. This comprehensive document allows for a detailed evaluation (by the Construction Committee) of current capital project priorities as well as for the continuous review of future objectives. Since implementing the program the City has expended in excess of twenty-seven million dollars on infrastructure improvements without having to increase its millage rate or raise user fees to specifically finance these projects. During 2004-05 fiscal year the City finished the installation of the 5.3 million water line improvement financed by the issuance of the 2003 revenue bonds.

**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

**Economic Condition (Property Tax Base)**

The financial statements, as presented in this report, demonstrate the ability of the City Administration to effectively stay within the fiscal guidelines and policies as adopted by the City Council. One measure of the City Administration's effectiveness to deliver public services, while remaining cost-effective and responsive to current economic conditions, is to examine the relationship of taxable values to the adopted millage rates. The following table shows that over the past five years the total actual tax burden to the residents has increased on a per annum average of 2.7%. This is a combination of both the assessment and millage increases. The taxable value for fiscal year 2005-06 showed a 3.2% increase from the previous year. Aside from the annual increase in the cost of living factor other reasons for the rise in taxable value was due to the construction and remodeling projects that occurred during the year on both commercial and residential properties. However, with the economy in the region being affected by the downturn in the automobile industry the number of permits and value of new construction has decreased materially from the past two years.

For several years, the biggest problem facing all communities in the State of Michigan is the discrepancy that is arising between the actual value of houses, State Equalized Value (S.E.V.) versus the taxable value on which millage is applied. Since the passage of Proposal A, the 2005-06 fiscal year marks the tenth consecutive year the actual market values on property (state equalized value) were reduced for taxation purposes due to the limitations placed on property values by Proposal A. The voters of the State of Michigan in an effort to curb rising property taxes approved Proposal A on March 15, 1994. The proposal capped market value increases to the lesser of (1) change in the Consumer Price Index or (2) 5% if the C.P.I. increases over that percent. During the past year, the fair market values of property within the City excluding increases in new construction or home improvements rose in excess of the C.P.I. making it necessary for the City to tighten its budget position since the C.P.I. increased for the year by a nominal 3.2%.

Aside from reducing the market value on property that a community may levy a millage upon many communities are also facing the problem at being near or at their maximum charter millage amount. Due to another State Act (Headlee 1979), which in general impacts the available amount of millage a City may have available many communities are now in difficult financial positions due to compounding effects of both Proposal A and no longer having the ability to increase millage to original charter limits without first going to a vote of the residents. The City realizing the negative impact that the Headlee Act may place on the budget status of a community, it has been pro-active in structuring its budget to conserve its remaining tax mills.

Even with the State's economy experiencing an economic decline the City has continued to benefit from the increase in both taxable and State equalized values. The decision to maintain the City's millage rate even with the nominal increase in taxable value demonstrated the City's ability to sustain an operating budget similar to previous years despite an minimal increase in tax revenues. Since the passage of Proposal A, in 1994, Taxable Valuations in the City have increased \$259,995,420 in comparison to the true market value increase of \$575,515,731. This spread between market and taxable values helps demonstrate the negative effects that Proposal A has had on property tax revenues and the ability for the City to fund for necessary operations. During the fiscal year 2005-06 the 3.2% increase in taxable value assessments was able to generate sufficient revenues without having to increase the millage rate. However, it also took increases in revenues in other areas and the ability to utilize a portion of the prior year's fund balance for the City to balance its budget which was impacted by double digit increases for building improvements and pension obligations and a reduction in personal properties tax revenues due to an agreement reached with the City's utility suppliers over the taxable value of their property.

**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

	<b>Taxable Value</b>	<b>Millage Rate</b>
<b>Fiscal Year</b>		
2005	\$ 813,191,810	12.99
2004	778,924,550	12.99
2003	747,319,492	13.03
2002	723,570,579	13.03
2001	688,453,470	13.02

<b>General Fund</b>	<b>FY 2006</b>	<b>FY 2007</b>
Total revenue and transfers	\$ 12,462,617	\$ 13,410,824
Total expenditures	<u>12,460,786</u>	<u>13,625,551</u>
Excess of revenue over (under) expenditures	1,831	(214,727)
<b>Fund balance</b>		
Beginning of year	<u>4,887,262</u>	<u>4,889,093</u>
End of year	<u>\$ 4,889,093</u>	<u>\$ 4,674,366</u>

Property tax revenues for fiscal year 2005-06 represented 70.2% of the total amount of General Fund operating revenues of \$13,165,824, which was a 3.2% increase when compared with previous years percent of 66.6%. With the taxable value of the City's tax base being 91.2% residential, Mayor/Council and Administration in order to reduce the impact taxes have on the residents, must continue to (1) find alternative revenue sources, (2) re-examine the services currently being offered to the residents, (3) prioritize services and programs currently being rendered to the residents (4) expand the scope of self insuring the City in several areas (worker's compensation, property & liability coverages and health insurance) and (5) Continue to explore opportunities to combine joint public services/capital purchases with the neighboring communities and (6) Re-examine the cost of the City's Post Retirement Health Care package.

In accordance with the City Charter the City may levy up to 20 mills. As discussed earlier, the Headlee Act, which amended the State Constitution in regards to property tax relief, has forced the City to roll back its 20 mills to 14.0492 mills. As of June 30, 2006 the City has 1.8970 of unused millage to finance future operations and infrastructure improvements. Recent tax legislation, which has been approved in both the Michigan House of Representatives and Senate, could further impact the City's millage levy. This legislation, in part, would result in immediate or phased-in tax exemption of all or a portion of the personal property located within the City. This specific change would affect approximately \$190,000 of tax dollars currently received by the City. Also, with economic concerns regarding the State's financial position the City is once again facing a possible reduction in its State Shared Revenues. With the State's economy still facing severe financial problems, the City will have to further tighten its General Fund budget to stay within its revenue base.

**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

The Administration is deeply concerned with the impact that the depressed housing market will have on real/personal property assessments within the community and the compounding effect it will have on tax revenues to finance City operations. With the voter's approval of Proposal A, market/inflationary assessment increases have been capped and property taxes held in check on residential properties. The formula used to compute State Sales Tax monies distributed back to the municipalities was amended by the legislature in 1998. The law now categorizes sales tax distributions as either statutory or constitutional distributions. The constitutional portion of the distribution can only be amended by a general vote of the people. However, the statutory portion can be amended by the State's legislature. With the state's economy still being severely impacted by the downturn in the automobile manufacturing sector local governments will have to continue to lobby their State Representatives that any further reduction in the statutory distribution of revenue sharing dollars will have a drastic impact on their operating budgets.

**Administrative Summary/Major Initiatives**

During the preparation of the 2005-06 annual budget, the Mayor and City Council emphasized several areas for the Administrative Officials to concentrate their efforts on. As shown below they were.

1. Initial implementation of a restructured health care plan.
2. Cost Analysis on items to be considered on 2008 Recreation Park Bond.
3. Review of the Capital Improvement Program.
4. Development of R.F.P. for financial software.
5. Increase usage of Information Technology.

After many years of providing a standard health care plan for all of its full time and retired employees the City in response to G.A.S.B. mandates in accounting for these benefits is in the process of reviewing and restructuring its health care plans. With negotiations with its four (4) labor unions to commence in the winter of 2006 it will be important for the City to have an attractive health plan while being cognizant of the future liability it will incur and have to depict on its financial statements as of June 30, 2009.

The City is in the process of collecting data in anticipating to renew its Park and Recreation G.O. Bond which expires in fiscal year 2009-10. The City with voter approval has historically been able to renew this bond issue and maintain and improve upon its Park and Recreation infrastructure and activities. In order to assess the creation needs of the community a committee will develop a list of potential projects ultimately requesting voter approval to approve a replacement bond within the next couple of years.

Several years ago the Administration developed a comprehensive listing of the entire infrastructure within the City. In doing so, the City was able to determine the financial resources it would take to maintain the infrastructure on an annual basis. To date the Elected Officials have continued to dedicate several million dollars annually to maintain the City's infrastructure and without the necessity of having to issue additional debt or increase millage. This undertaking is most impressive when considering the continual decrease in State Shared Revenues and the fiscal impact that Proposition A and the Headlee Act have had on property taxes.

**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

In working to keep current with continuing technology changes now occurring the City has made a strong commitment to invest in upgrading its information/computer systems. Not only are all departmental employees of the City now utilizing technology to perform their everyday activities but are also required to participate in additional training to become more creative and productive in their use of technology. Over the past couple of years, the City has concentrated on expanding the usage of its Geographic Information System (G.I.S.) that allows employees and citizens alike the ability to obtain a wide variety of data on a parcel(s) of property, located anywhere in the City. In addition, the City Comptroller's department has converted to an on-line banking system along with an automated check deposit capability. These additions have stream line banking transactions and improved cash flow.

The City's current financial software has been used in excess of twenty (20) years. In order for the City to take advantage of new technology, the City is in the process of performing a detailed analysis of its needs, and the development of a comprehensive software proposal, that will allow it to procure a system that will support all of the City's users.

The City's full-time labor force as of June 30, 2006 included 101 full-time employees, 25 permanent part-time and approximately 150 seasonal employees. The City has multi-year contract agreements with three of its four labor associations through the end of fiscal year 2006-07. Full-time employees who are not covered by a bargaining agreement have individual at will employment contracts with the City.

As always, the City's highest priority is to continue to provide to its residents the highest level of public services while operating within its budget. As expected the operational costs of many of these services and programs have increased; however, the City has, whenever possible, managed to keep such increases to a minimum. Whereas the City once again realized a cost reduction in its workmen's compensation insurance coverages, it sustained a significant increase in both its pension contribution and post health care requirements. With the signing of the new solid waste agreement the City saved substantial dollars in rubbish disposal costs resulting in a reduced solid waste millage rate. In cooperation with its elector officials, the City has been able to maintain a comprehensive capital improvement plan for all of its infrastructure and other capital assets. The City in consortium with its other surrounding communities has been working to minimize the effect of rising water and sewer rates. However given the impact of increasing sanitary cost, the City had to once again increase its rates, which on average amounted to a five (5%) increase.

**Change in Presentation**

In May 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 44, *Economic Condition Reporting the Statistical Section*. The statistical section is a required part of a CAFR and presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. The provisions of GASB Statement 44 are effective for fiscal years beginning in 2005-2006. The City implemented Statement 44 for the current fiscal year.

**City of Grosse Pointe Woods**  
**Letter of Transmittal**  
**June 30, 2006**

---

**Future Outlook**

The City continues to retain its status as both a well respected and one of the most desired areas to live in Southeast Michigan. Elected Officials, Administration and the members of the various committees and commission are always looking at innovative and productive ways where it can maintain the viability of its commercial district, repair and update its infrastructure, retain residential home values and still attract younger families to reside in its community. The challenge to the City is to continue to provide the multitude of public services, while complying with increased Federal and State regulations and financing a operating budget with both property tax dollar restrictions (Proposal A) and a State economy that has yet to recover from prior years recession.

Over the past three (3) years the City has placed an emphasis on the planning and re-zoning and re-assessment of both its residential/commercial property given the necessity to provide an increase in its tax base. To assist the administration in this endeavor, the City has utilized the services of a professional planner as well as providing its assessor G.I.S. capabilities. Interaction and greater long-term planning with the various proprietors in the commercial district will have to increase if the existing establishments are to retain a viable resource and vacant properties are to remain attractive to potential entrepreneurs. For many years the City has united itself with the other surrounding communities to provide emergency ambulatory services, rubbish removal, health insurance and recreational activities and police communication dispatch. But as the availability of the property tax dollar erodes the City will need to continue its attempt to increase its interaction with its neighboring communities to seek alternative solutions to such issues as infrastructure replacement, equipment purchases, labor agreements and the staffing of day to day operations.

Sincerely,



Clifford J. Maison  
City Comptroller/Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grosse Pointe Woods  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

A Certificate of Achievement for Excellence in Financial  
Reporting is presented by the Government Finance Officers  
Association of the United States and Canada to  
government units and public employee retirement  
systems whose comprehensive annual financial  
reports (CAFRs) achieve the highest  
standards in government accounting  
and financial reporting.



*Carla E. Ferge*

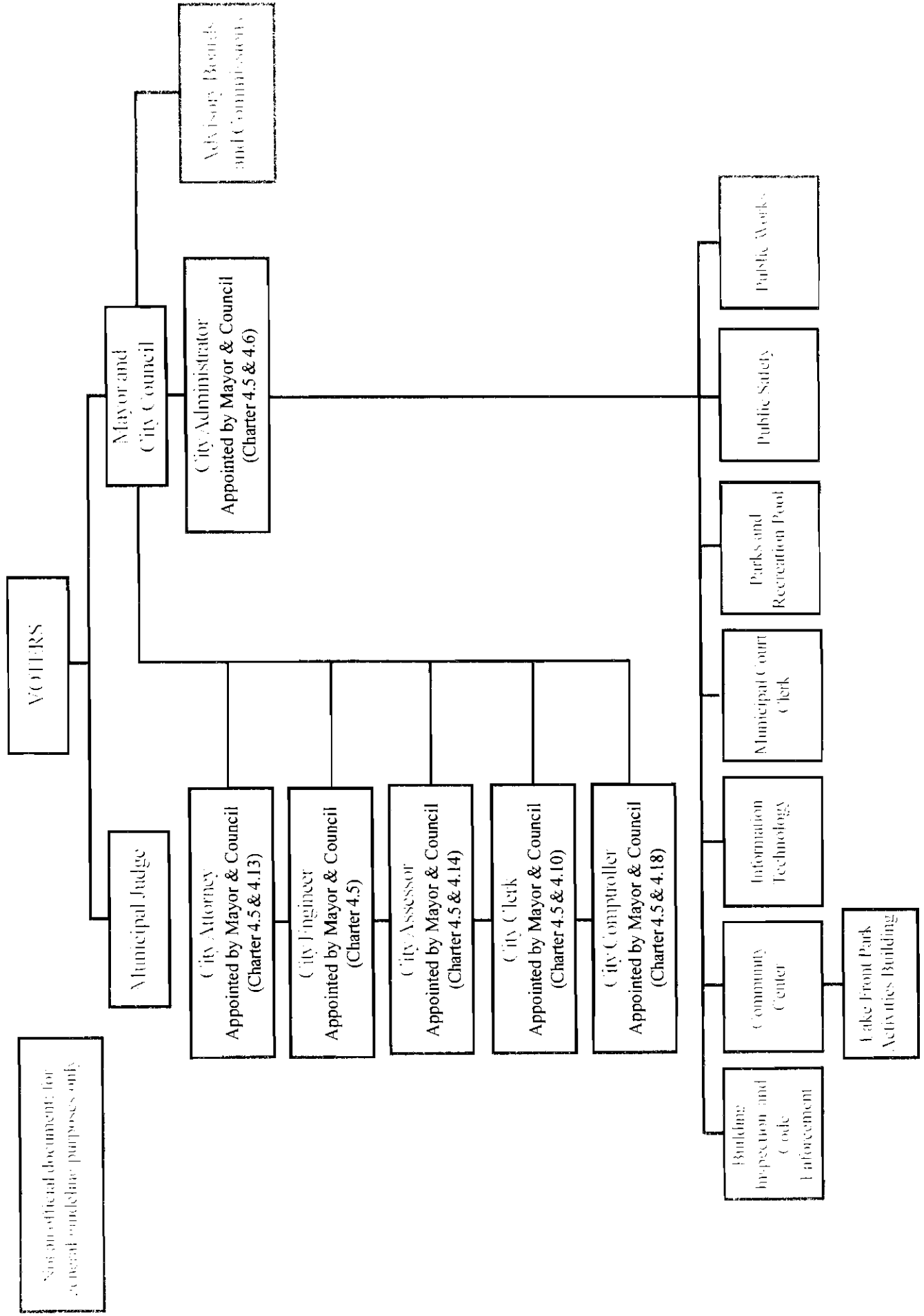
President

*Jeffrey R. Emer*

Executive Director



# City of Grosse Pointe Woods Organizational Chart



**CITY OF GROSSE POINTE WOODS, MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006  
SECTION II – FINANCIAL SECTION**

## Report of Independent Auditors

To the Honorable Mayor and City Council  
City of Grosse Pointe Woods, Michigan

In our opinion, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan (the "City"), which collectively comprise the City's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also have audited the aggregate nonmajor governmental funds, the aggregate nonmajor enterprise funds, and the fiduciary fund type as of and for the year ended June 30, 2006, as displayed in the City's basic financial statements. These financial statements are the responsibility of the City's management; our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The management's discussion and analysis and the required supplementary information on pages 14 through 27 and 61 through 67, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining and individual nonmajor fund financial statements and supplemental data section are presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplemental data section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Pricewaterhouse Coopers LLP*

October 21, 2006

**CITY OF GROSSE POINTE WOODS, MICHIGAN  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2006  
SECTION II – MANAGEMENT DISCUSSION AND ANALYSIS**

# **City of Grosse Pointe Woods, Michigan**

## **Management Discussion and Analysis**

### **June 30, 2006**

---

As management of the City of Grosse Pointe Woods, we offer this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2006. Readers are encouraged to read it in conjunction with the letter of transmittal, which is located at the beginning of this report, and the accompanying basic financial statements.

#### **FINANCIAL HIGHLIGHTS**

##### **Government-Wide**

- 1) The total assets of the City exceeded its liabilities as of June 30, 2006 by \$44,956,762 (shown as total net assets). The increase of \$3,048,278 from the previous year was due to an increase in net assets from governmental activities of \$2,826,264 along with an increase in net assets from business type activities of \$222,014.
- 2) At the close of the fiscal year, the City's governmental activities reported combined ending net assets of \$25,887,600. Of this amount \$4,804,341 is reported as unrestricted. The remaining balance of \$21,083,259 is a combination of dollars invested in capital assets of \$16,543,166 and restricted assets for debt service, capital and community programs of \$4,540,093.
- 3) Aside from material increases once again in pension expenditures, the City's increase in net assets (\$2,826,264) was \$1,078,012, greater than the net assets as of June 30, 2005 of \$1,748,252. The City realized an increase in revenues in its Drain Fund and reduced salary costs in relation to its Major and Local Street Fund.

##### **General Fund**

- 1) At the end of the fiscal year the General Fund had an unrestricted fund balance of \$4,674,366 of which \$3,874,366 was undesignated. For the first time in over a decade the General Fund experienced expenditures and other uses in excess of revenues and other financing sources of (\$214,727). This was principally due to a court mandated reduction regarding personal property tax values and higher than expected operating costs incurred at the City's Lakefront Park.
- 2) Despite the declining economy in southeast Michigan, property values continued to rise (4.4%) and property tax collections remained at nearly 100%.
- 3) The City experienced a decline of \$122,500 in building and construction related permits due to increased interest rates and a slowdown in commercial property development.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This comprehensive annual financial report consists of a series of statements: 1) government-wide financial statements, which focus on the City as a whole, 2) fund financial statements, which provide a more detailed view of the City's major funds, 3) notes to the financial statements, which provide additional information that is essential to gain a full understanding of the data presented in the financial statements themselves and 4) statistical section, an unaudited section of financial and demographic information presented on a multi-year basis

**Government-Wide Financial Statements** consist of the *Statement of Net Assets* and the *Statement of Activities* and provide readers with a broad overview of the activities of the City as a whole. One of the more important questions citizens and other readers of the financial statements often ask is "Is the City as a whole better or worse off this year than it was a year ago?" In other words, did the overall financial condition of the City improve or decline over the course of the past year. The government-wide statements report information in a manner that is intended to help answer this question.

The government-wide statements are prepared using the full accrual basis of accounting, which is similar to that employed by businesses in the private sector.

The *Statement of Net Assets* presents information on all of the assets and liabilities of the City, with the difference between the two reported as *net assets*. Net assets can be thought of as one way of measuring the financial strength of the City. Increase or decreases in net assets over time may serve as a useful indicator of whether the financial condition of the City is improving or deteriorating.

Non-financial factors such as changes in the property tax base, population and condition of roads and bridges must also be considered when assessing the financial condition of the City.

The *Statement of Activities* presents information showing how the net assets of the City have changed over the course of the most recent fiscal year. All changes in net assets are recognized as soon as the underlying transactions take place, regardless of the timing of the related cash flows. As a result, certain revenues and expenses reported in these statements are related to items that will only result in cash flows in future years. Examples of such items are uncollected property taxes, accrued interest payable on long-term debt and earned but unused sick and vacation leave.

The government-wide financial statements segregate the activities of the City into two categories: 1) governmental activities and 2) business-type activities. The basic services of the City are classified as government activities and are financed primarily through property taxes, user fees and intergovernmental revenues. Functions reported in this category include general government, legislative, law enforcement and judicial, public safety, public works and parks/recreation. Business-type activities operate like private businesses and are intended to recover the majority of their costs through user fees.

Fund financial statements are separate groupings of related accounts that are used to maintain control over resources that have been segregated for specific purposes. Each fund of the City is considered a separate accounting entity for which a self-balancing set of accounts is maintained. Certain funds are established in accordance with State law while others are required by bond or grant agreements or are established at the discretion of management to enable it to more easily manage and report on the activities of the many programs of the City. All the funds of the City can be divided into one of three categories: government, proprietary or fiduciary.

# City of Grosse Pointe Woods, Michigan

## Management Discussion and Analysis

### June 30, 2006

---

**Governmental Funds** are used to account for most of the basic services provided by the City and report essentially the same functions as those reported as governmental activities in the government-wide financial statements. Governmental funds are accounted for using the *modified accrual* basis of accounting, which focuses on the short-term inflows and outflows of cash and other financial assets that can be readily converted into cash with the balances of them available for spending at year-end. Because the focus of the governmental fund financial statements is narrower in scope than that of the government-wide financial statements, reconciliations are provided in both the governmental fund balance sheet and operating statement to help the reader better understand the relationship between the two.

All of the governmental funds of the City are categorized as either major or nonmajor for presentation in the financial statements. The purpose of such segregation is to focus the attention of the reader on the more significant funds of the City. A fund is considered major if its assets, liabilities, revenues or expenditures meet or exceed certain percentage thresholds in relation to all governmental funds taken as whole. The thresholds used to determine a fund's status as major or nonmajor are set forth in GASB Statement No. 34. Information regarding major funds is presented separately in the basic financial statements while data for all nonmajor funds is combined into a single, aggregated presentation. The General Fund and the Wayne County Combined Drain Fund are the only major governmental funds of the City. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds** are classified as either Enterprise Funds or Internal Service Funds and are accounted for using the full accrual basis of accounting. *Enterprise funds* are used to report the same functions as those presented as business-type activities in the government-wide financial statements and include Parking, Water/Sewer, Boat Docks and Commodity Sales. *Internal service funds*, on the other hand, are used to centrally account for services provided to other City departments and include Workmen's Compensation, Motor Vehicle, Management Information System and Building Authority. Because the Internal Service Funds predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Data regarding the Internal Service Funds has been combined into a single, aggregated presentation in the basic financial statements. Information regarding the individual internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary Funds** are used to account for resources held by the City on behalf of others, including those of the Employee Retirement System and Supplemental Annuity Fund. The activities of the Fiduciary Funds are presented separately in this report but are not reflected in the government-wide financial statements because the resources of those funds are not available to support the operations of the City. Fiduciary funds are accounted for using the full accrual basis of accounting.

**Notes to the Financial Statements** provide additional information that is essential to gain a full understanding of the data presented in both the government-wide and fund financial statements.

**Required Supplementary Information** is presented following the notes to the financial statements and includes schedules regarding the progress of the City in funding its pension obligations and budget to actual comparison for the major governmental funds of the City

**Combining and Individual Funds Statements** of the nonmajor funds of the City are presented immediately following the required supplementary information



**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The financial analysis of the City as whole focuses on the net assets and changes in net assets of the governmental and business-type activities of the City. As noted earlier, net assets and changes in net assets may serve as one indicator of the financial health of the City. The assets of the City exceeded its liabilities by \$44,956,762 at June 30, 2006, and net assets increased by \$3,048,278 for the year then ended.

**Government Wide Net Assets as of June 30, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Current assets	\$ 12,153,458	\$ 1,904,158	\$ 14,057,616
Capital assets (net)	26,152,093	23,144,291	49,296,384
Total assets	<u>38,305,551</u>	<u>25,048,449</u>	<u>63,354,000</u>
Current liabilities	3,221,661	679,287	3,900,948
Long-term liabilities	9,196,290	5,300,000	14,496,290
Total liabilities	<u>12,417,951</u>	<u>5,979,287</u>	<u>18,397,238</u>
Net assets			
Invested in capital assets	16,543,166	17,634,291	34,177,457
Restricted	4,540,093	-	4,540,093
Unrestricted	4,804,341	1,434,871	6,239,212
Total net assets	<u>\$ 25,887,600</u>	<u>\$ 19,069,162</u>	<u>\$ 44,956,762</u>

**Government Wide Net Assets as of June 30, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Current assets	\$ 12,981,218	\$ 2,510,838	\$ 15,492,056
Capital assets (net)	23,627,129	22,253,499	45,880,628
Total assets	<u>36,608,347</u>	<u>24,764,337</u>	<u>61,372,684</u>
Current liabilities	1,492,788	212,189	1,704,977
Long-term liabilities	12,054,223	5,705,000	17,759,223
Total liabilities	<u>13,547,011</u>	<u>5,917,189</u>	<u>19,464,200</u>
Net assets			
Invested in capital assets	12,611,930	16,548,499	29,160,429
Restricted	6,368,884	-	6,368,884
Unrestricted	4,080,522	2,298,649	6,379,171
Total net assets	<u>\$ 23,061,336</u>	<u>\$ 18,847,148</u>	<u>\$ 41,908,484</u>

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

Approximately \$34.2 million of the City's total net assets represents its investment in capital assets, net of any outstanding debt. These assets are used by the City to provide services to the public; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of any related debt, it should be noted that the resources needed to repay this debt must be budgeted and provided from other sources since the assets themselves cannot be used to liquidate the outstanding debt obligations. Another \$4.5 million of the City's net assets represents resources that are subject to external restrictions regarding their use. Assets included in this category include bond proceeds that can only be utilized on the projects for which they are issued, cash and investments restricted for the repayment of outstanding debt (Water and Sewer) and those liquid assets earmarked for specific projects and expenditures (Special Revenue Funds). The remaining balances of the City's net assets are unrestricted and may be used to meet the City's ongoing obligations. Positive balances in all three categories are reported at June 30, 2006.

**Change in Net Assets**  
**Fiscal Year Ended June 30, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Revenues</b>			
<b>Program revenues</b>			
Charges for services	\$ 2,628,980	\$ 5,068,571	\$ 7,697,551
Grants	41,464	-	41,464
<b>General revenues</b>			
Property taxes	14,083,603	-	14,083,603
Investment income	246,448	42,555	289,003
State shared revenues	2,608,124	-	2,608,124
Donations	97,251	-	97,251
<b>Total revenues</b>	<b>19,705,870</b>	<b>5,111,126</b>	<b>24,816,996</b>
<b>Expenses</b>			
General government, administrative	2,495,753	-	2,495,753
Public safety	5,426,841	331,892	5,758,733
Public works	4,533,938	-	4,533,938
Parks and recreation	2,014,389	277,276	2,291,665
Solid waste	1,352,824	-	1,352,824
Other activities	30,127	-	30,127
Interest paid	271,234	186,296	457,530
Water/Sewer	-	4,848,148	4,848,148
<b>Total expenses</b>	<b>16,125,106</b>	<b>5,643,612</b>	<b>21,768,718</b>
<b>Excess (deficiency) before transfers</b>	<b>3,580,764</b>	<b>(532,486)</b>	<b>3,048,278</b>
<b>Transfers in (out)</b>	<b>(754,500)</b>	<b>754,500</b>	<b>-</b>
<b>Increase in net assets</b>	<b>2,826,264</b>	<b>222,014</b>	<b>3,048,278</b>
<b>Net assets</b>			
Beginning of year	23,061,336	18,847,148	41,908,484
End of year	<b>\$ 25,887,600</b>	<b>\$ 19,069,162</b>	<b>\$ 44,956,762</b>

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

**Change in Net Assets**  
**Fiscal Year Ended June 30, 2005**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
<b>Revenues</b>			
<b>Program revenues</b>			
Charges for services	\$ 2,751,519	\$ 5,123,316	\$ 7,874,835
Grants	81,447	-	81,447
<b>General revenues</b>			
Property taxes	12,742,873	-	12,742,873
Investment income	219,518	24,481	243,999
State shared revenues	2,594,918	-	2,594,918
Donations	139,312	-	139,312
Total revenues	<u>18,529,587</u>	<u>5,147,797</u>	<u>23,677,384</u>
<b>Expenses</b>			
General government, administrative	3,739,622	-	3,739,622
Public safety	5,446,354	375,660	5,822,014
Public works	3,179,362	-	3,179,362
Parks and recreation	1,872,760	235,846	2,108,606
Solid waste	1,460,884	-	1,460,884
Other activities	44,676	84,762	129,438
Interest paid	283,417	-	283,417
Water/Sewer	-	4,660,181	4,660,181
Total expenses	<u>16,027,075</u>	<u>5,356,449</u>	<u>21,383,524</u>
Excess (deficiency) before transfers	2,502,512	(208,652)	2,293,860
Transfers in (out)	<u>(754,000)</u>	<u>754,000</u>	<u>-</u>
Increase in net assets	1,748,512	545,348	2,293,860
<b>Net assets</b>			
Beginning of year	<u>21,312,824</u>	<u>18,301,800</u>	<u>39,614,624</u>
End of year	<u>\$ 23,061,336</u>	<u>\$ 18,847,148</u>	<u>\$ 41,908,484</u>

**Governmental activities.** The net assets of the City's governmental activities increased \$2,826,264 in 2006. Key components of this increase as well as other important financial developments were:

- Property tax revenues increased \$1,340,730 without increasing the millage rate. The rise in taxable value was the result of both an increase in the Consumer Price Index and new construction within the City.
- Investment income increased by \$45,031 as cash balances available for investment purposes in several governmental type funds were greater than the previous fiscal year and were assisted by the increase in interest rates.
- For the first time in over a decade, the City incurred a material decline in program income (\$122,539) as well as a reduction in federal funding (\$39,983) for its Community Development Program.

# City of Grosse Pointe Woods, Michigan

## Management Discussion and Analysis

### June 30, 2006

---

- Expenditures increased in the Public Works by \$1,354,576 which was the result of increased road repair and construction.
- The City's share of pension obligation increased for the second consecutive year as the pension plan still recovers from three years of negative investment performance.
- The City's pro-rata share of drain operating costs as shown in the Grosse Gratiot Drain Fund increased \$140,500 from the previous year as waste water service charges increased 15%.

#### **Business-Type Activities**

The overall net assets of the City's business-type activities increased \$222,014. This was a substantial decline from the 2004-05 net asset gain of \$545,348 and resulted from a decline in anticipated water sales as well as increased waste water treatment charges. The City also experienced a decline in parking meter collections and violations of (\$146,786) after showing a major increase in these areas the previous year. For the past several years, the Administration has made it a major initiative to reduce its unbilled water (water loss through water main breaks and faulty meters) to approximately 10%. In doing so, the City estimates it has saved its residents \$100,000 annually by investing in this venture.

Aside from maintaining a well funded infrastructure program, the City, in consortium with its surrounding cities, has been able to negotiate with the members of the City of Detroit's Water System a rate structure that will keep rate increases below what it has paid in previous years.

Even with the City's emphasis on controlling operating costs, the Administration recommended a rate increase on both its water and sewer charges effective July 1, 2006. It is projected that the increase will provide an additional \$250,000 in operating income.

#### **FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS**

*Governmental funds.* As previously mentioned, the focus of governmental funds is to provide information on near-term inflows, outflows and remaining balances of spendable resources. Such information is useful in assessing the City's ability to meet its current financing requirements. The fund balance of governmental funds is segregated into one of three categories: reserved, designated and unreserved. Reserved fund balance represents that portion of the net assets that may only be spent for specific purposes and are not available for new spending. Examples of fund balance reserves include amounts required to pay debt service, bonds proceeds that may only be spent on approved projects for which the bonds were issued and amounts required meeting long-term contractual commitments. Fund balance designations are established to represent that portion of net assets that are intended to be spent for certain purposes and differ from fund balance reserves in that they can be reappropriated and used for new spending if necessary. Unreserved fund balance represents the portion of net assets that is available at year-end for new spending. The combined ending fund balance of all governmental funds was 9,389,387 at June 30, 2006, a decrease of \$1,068,592 over the prior fiscal year.

The General Fund is the primary operating fund of the City. All revenues and expenditures are recorded in the General Fund unless otherwise required by statute, contractual agreement or policy.

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

**General Fund Revenues**

Total General Fund operating revenues excluding transfers for 2005-06 amounted to \$13,165,824. This was a increase of \$703,207 or 5.6% compared to the 2004-05 operating revenues of \$12,462,617.

Increases in property taxes, and investment income were offset by material reductions in court related revenue and building permits. While home values of the residential section remain among the highest in Southeast Michigan, the City for the first time in several years witnessed a decrease in the total number of building related permits issued.

The City, for financial reporting purposes, classifies its operating revenues into seven primary sources as shown below:

Revenue Source	Amount	Percent of Total	Increase (Decrease) Over Prior Year
Property taxes	\$ 9,244,229	71%	\$ 948,599
State shared revenues	1,682,170	13%	26,202
Delinquent fees	325,632	3%	19,349
Court fines/costs	616,547	4%	(101,356)
Licenses/permits	728,390	5%	(188,987)
Administration charges	300,000	2%	-
Miscellaneous	268,856	2%	(600)
	<u>\$13,165,824</u>	<u>100%</u>	<u>\$ 703,207</u>

- a) Property Taxes - \$948,599 increase – Due to an increase in the city's taxable valuation of property which is a combination of home improvements and an increase in the Consumer Price Index of 2.3%.
- b) Intergovernmental Taxes - \$26,202 increase – Distributions from the State of Michigan increased slightly even though Michigan's economy has yet to recover from the recession it has been in.
- c) Delinquent Interest/Collection Fees - \$19,349 increase – Administrative/collection fees associated with the summer/winter tax billings increased in relation to the increase in the overall property tax revenues.
- d) Court fines/costs - \$(101,356) decrease – The amount of monies collected from traffic violations decreased for the first time in three years due to the reduction in the issuance of traffic related violations.
- e) Licenses/permits - \$(188,987) decrease – The City experienced a major decrease in the number and dollar value of permits (building, electrical, etc.) issued for the first time in this decade

Residential tax collections for the 40<sup>th</sup> consecutive year were approximately 100% of the tax levy. Despite the last four years of economic difficulties the City's unemployment rate has been considerably lower than the national and regional average. The fiscal stability of the community's business community enables collection of the City's real and personal property taxes to remain substantially higher than the State average. The City's vacancy rate in its commercial district despite the economy remains under 5%.

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

The City's General Fund tax levy is split into six components depicted as follows:

<b>Purpose</b>	<b>2005-06 General Fund Fund Levy (Per \$1,000 Taxable Value)</b>
Operating	\$ 8.2828
General obligation debt	.5656
E.M.S. advance life support	.3690
Street replacement	.9984
Act 359 (Public Relations)	.0616
Act 345 (Public Safety Pension)	.8680
<b>Total general fund millage</b>	<b>\$ 11.1454</b>

The legal basis for adopting the millage rate is set forth in Section 8.4 of the City Charter which in part states that the Council shall by resolution adopt a balanced budget and a set millage rate by the third Monday in May.

As of June 30, 2006, the City had 1.8970 of unused operating millage, with each mill worth an approximate \$835,540 in additional tax revenue. Due to the Headlee Act of 1979, many communities are either at or near their maximum allowable millage rate. The ability of the City Council and Administration to effectively budget and manage available resources and minimize millage rate increases insures that the City will continue to have available tax dollars to finance future budgets as well as to have funds available for unexpected/unforeseen events.

**General Fund Expenditures**

The General Fund for classification purposes is divided into four (4) primary governmental functions. They are (a) General Administration, (b) Public Safety, (c) Public Works, (d) Parks/Recreation. In addition the City provides for a contingency account to have monies available for any unforeseen unexpected events.

Total operating expenditures for General Fund operations were \$10,462,429. This represents an increase of \$556,622 or 5.62% from 2004-05 expenditures. The totals as shown below do not include operating transfers and charges (Internal Service Funds) made to other funds. The level of expenditures for the four major governmental functions of the City compared with the preceding year are shown in the following tabulation:

<b>Function</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>(Decrease)/ Increase</b>
General government	\$ 2,342,482	23%	\$ (4,410)
Public safety	5,102,301	50%	91,448
Public works	875,237	8%	13,765
Parks/recreation	1,750,909	19%	55,499
	<u>\$10,070,929</u>	<u>100%</u>	<u>\$ 156,302</u>

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

- a) The General Government - \$(4,410) decrease – A function that includes both the Legislative and Administrative departments of the City; Aside from the normal inflationary increases in salaries and operational costs the City experienced decreases in court operations and outside legal expense.
- b) Public Safety - \$91,448 increase – Operational increases, annual salary/benefit increase and implementing an advanced centralized communications center (CLEMIS).
- c) Public Works - \$13,765 increase – City expended more funds in maintaining grounds and facilities.
- d) Parks and Recreation - \$55,499 increase – The increase is due to the increased hours worked by seasonal employees at Lakefront Park. Along with the increase in recreational and other activities/program events, utility costs associated at the Lakefront Park were greater.

**BUDGETARY HIGHLIGHTS**

The budget for each fiscal year is adopted by the City Council in May of the prior fiscal year and may be amended from time to time throughout the year to reflect changing operational demands. The majority of the Mayor and City Council must approve any changes that may affect the budget than what was originally adopted. The following summarizes the significant changes in the originally adopted budgets for fiscal 2006 for the General Fund.

- General Fund Expenditures – (\$254,450) favorable expenditure variance – The City's ability to control expenditures through communicating to the Department Heads the need to stay within its budget guidelines and the need to react quickly to avoid over-runs has allowed the City to stay within its budget.
- General Fund Revenues – (\$30,824) unfavorable revenue variance – The City experienced a decrease in its licensing and permit areas and court related revenues for the first time in several years.
- Special Revenue Fund - (\$451,081) unfavorable variance - The City's Solid Waste Fund experienced an unanticipated decrease in its tax revenues due to a mid-year court judgement that impacted the collection of personal property taxes.
- Capital Projects Fund - (\$98,582) unfavorable variance - Increases in costs related to public safety radio-lien network system and remodeling of the administrative offices exceeded original estimates. Appropriations from prior year's fund balance were utilized to make up the differences.
- As of June 30, 2006, all of the City's Governmental and Business type funds had positive fund balances/net assets totaling \$9,389,387 for governmental funds and \$21,528,085 proprietary funds.

**Net Assets/Fund Balances**

The total net assets/fund balances additionally in the two major funds types (Governmental and Business-Type activities) amounted to \$30,917,472, which is a 12.80% decrease over the previous year's total of \$31,821,441.

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

The net assets/fund balances at June 30, 2006 per fund type are as follows:

<b>Fund Type-Governmental</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease)</b>
General Fund	\$ 4,674,366	50%	\$ (214,727)
Special Revenue	3,126,004	33%	(794,938)
Debt service	1,569,524	16%	59,655
Capital project	19,493	1%	(118,582)
	<u>\$ 9,389,387</u>	<u>100%</u>	<u>\$(1,068,592)</u>
<b>Fund Type-Business-Type</b>	<b>Amount</b>	<b>Percent of Total</b>	<b>Increase (Decrease)</b>
Enterprise	\$19,069,162	89%	\$ 222,014
Internal service	2,458,923	11%	(57,393)
	<u>\$21,528,085</u>	<u>100%</u>	<u>\$ 164,621</u>

**Breakdown of Net Assets/Fund Balance**

	<b>Investment Capital Assets</b>	<b>Restricted</b>	<b>Unrestricted</b>	<b>Total</b>
General Fund	\$ -	\$ -	\$ 4,674,366	\$ 4,674,366
Special Revenue	-	2,452,577	673,427	3,126,004
Debt service	-	1,569,523	-	1,569,523
Capital project	-	19,493	-	19,493
Total governmental activities	-	4,041,593	5,347,793	9,389,386
Enterprise	17,634,291	-	1,434,870	19,069,161
Internal service	1,297,637	-	1,161,286	2,458,923
Total business type	<u>18,931,928</u>	<u>-</u>	<u>2,596,156</u>	<u>21,528,084</u>
Grand total primary government	<u>\$18,931,928</u>	<u>\$4,041,593</u>	<u>\$ 7,943,949</u>	<u>\$ 30,917,470</u>

Over a ten-year period the General Fund in particular has shown a consistent pattern of growth increasing its fund balance to nearly five million dollars during this time period. The total undesignated fund balance as of June 30, 2006 was approximately 31% of the 2005-06 budget. Along with an adherence to a long-term capital budget, which involves all phases of the City's infrastructure, the City has been able to anticipate and budget for the decline in the state economy as well as for unexpected events that could negatively impact fund balance dollars.

The long-term financial stability of the General Fund once again enabled the Mayor and City Council to designate \$550,000 of fund balance to assist in balancing the budget. The \$550,000 was equivalent to approximately .70 mills or \$140 in savings for a homeowner with a Taxable Value of \$200,000.



**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City categorizes its capital assets in the Government-Wide Statement of Net Assets as follows:

**Capital Assets as of June 30, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
Land and improvements	\$ 1,619,656	\$ 1,534,590	\$ 3,154,246
Buildings and improvements	7,456,771	-	7,456,771
Furniture and equipment	2,482,834	-	2,482,834
Vehicles	3,939,021	-	3,939,021
Infrastructure	21,373,767	29,182,807	50,556,574
Less: Accumulated depreciation	(10,719,956)	(7,573,106)	(18,293,062)
<b>Total</b>	<b>\$ 26,152,093</b>	<b>\$ 23,144,291</b>	<b>\$ 49,296,384</b>

Additional detailed information regarding capital asset activity can be found in Footnote No. 5 to the financial Statements.

**Debt Administration**

The City's Debt structure can be categorized into two distinct areas:

1. Debt of which the City has issued and is solely obligated to make the principal and interest payments.
2. Payments made to Wayne County to finance outstanding debt which is shown as a separate fund titled Grosse Gratiot Drain Fund. The County between the years 1992-94 issued four separate bonds totaling \$19,208,696 (60.4% city share) to finance a sanitary retention basin (Milk River Drain Facility). The bonds which mature in November 2012 were issued through the State of Michigan's Revolving Fund with interest rates at two (2%) percent.

Aside from the Wayne County issues there is three outstanding General Obligation bond issues:

- 1) 2003 Recreation Refund Bond
- 2) 1993 Revenue Bonds
- 3) 2003 Revenue Bonds

**Long-term debt.** The City's long-term debt for all funds totaled \$16,256,290 at June 30, 2006. Included in the above total is \$1,137,363 which represents dollars owed to employees for accrued sick/vacation time. All outstanding obligations are backed by the full faith and credit of the City. The detailed components of the total long-term liability of the City are presented in Footnote 6 to the financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

Outstanding Bonded Debt as of June 30, 2006:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Primary Government</b>
General obligation bonds	\$ 9,608,297	\$ -	\$ 9,608,297
Revenue bonds/notes	-	5,510,000	5,510,000
<b>Total</b>	<b>\$ 9,608,297</b>	<b>\$ 5,510,000</b>	<b>\$ 15,118,297</b>

Payments made to Wayne County for the financing of the Milk River Drain Project (1992 - 1994) debt are totally financed by a millage levied on the winter tax bill and shown as a major fund titled Grosse Gratiot Drain.

The ratio of net direct bonded debt to taxable valuation and the amount of direct G.O. bonded debt per capita are useful indicators of the City's debt position in relation to its management, citizens and investors. This data for the City of Grosse Pointe Woods at the end of the 2005-06 fiscal year was as follows:

	<b>Amount</b>	<b>Taxable Value</b>	<b>Ratio of Net Debt to Taxable Value</b>	<b>Net Debt Per Capita</b>
Obligation debt	\$ 9,608,297	\$ 813,199,610	1.18 %	\$ 563

The net debt per capita reflects a 14.6% decrease over 2005-06 amount of \$645. Presently, the City is not contemplating issuing any General Obligation debt until fiscal year 2008. However, the issuance of a Bond Anticipation note to finance a pool renovation is presently being reviewed.

The Outstanding General Obligation Bonds at June 30, 2006 of \$9,608,297 are considered direct tax-supported debt. Revenues Bonds totaling \$5,510,000 for water and sewer improvements are considered self-supporting (user charges) while the special assessment bonds are backed by the full faith and credit of the City.

The City of Grosse Pointe Woods has no record of bond default.

#### **ECONOMIC FACTORS AND 2006-2007 BUDGET CONSIDERATIONS**

The following issues/concerns were considered when formulating the 2006-07 annual budget(s).

- 1) Continuing fiscal problems experienced by the State of Michigan.
- 2) Property tax revenues are expected to increase approximately 4.0% consistent with increases as shown by the Consumer Price Index. However, due to a decline in residential home sales the value of some homes will decrease for the first time in many years.

**City of Grosse Pointe Woods, Michigan**  
**Management Discussion and Analysis**  
**June 30, 2006**

---

- 3) In the current year, health care costs only increased 3%. The lowest increase since the mid-1990's. With Governmental Accounting Standards Board ("GASB") 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, effective for periods beginning after December 15, 2006, and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, effective for periods beginning after December 15, 2007, to be implemented in the respective fiscal years, the City must continue to reduce its costs to minimize the impact these statements will have on the City's budget.
- 4) A. Acceptance of both Safety Grant funding for Mack, north of Vernier, coupled monies from the State Local Jobs Today Program, as well as unused Wayne County Urban Transportation funding.  
  
B. Design for basement repairs and asphalt overlay for Mack, south of Allard, in conjunction with Grosse Pointe Farms using federal T.I.P. funds.  
  
C. Base repair and overlay on Fairholme  
  
D. Broadstone and Ida Lane waterline replacement.
- 5) Continued development at St. John Hospital & Medical Center. Possible development at University Liggett Middle School Campus.
- 6) Lake Front Park pool reconstruction and continued planning for Lake Front Park, as well as other recreation improvements as part of the upcoming Pool Bond Renewal Program.
- 7) Application for a state grant to clean and televise six (6) of our maintenance district sewers for future development of a State Revolving Fund Sewer Repair Loan Program Application.

**CONTACTING THE CITY FINANCE DEPARTMENT**

This financial report is designed to provide the citizens, taxpayers, investors, creditors and others with a general overview of the finances of the City. Questions concerning any information contained in this report or requests for additional information should be addressed to the attention of the City Comptroller at the following address: City of Grosse Pointe Woods, 20025 Mack Plaza, Grosse Pointe Woods, MI 48236.

## **Statement of Net Assets**

**City of Grosse Pointe Woods, Michigan**  
**Government Wide – Statement of Net Assets**  
**June 30, 2006**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 10,552,439	\$ 886,887	\$ 11,439,326
Accounts receivable	775,020	1,005,090	1,780,110
Taxes receivable	435,414	-	435,414
Prepaid items	-	11,347	11,347
Due from business-type	140,000	(140,000)	-
Due from pension trust fund and agency fund	201,907	-	201,907
Accrued interest receivable	48,678	834	49,512
Total current assets	12,153,458	1,764,158	13,917,616
<b>Capital assets</b>			
Land and land improvements	1,619,656	1,534,590	3,154,246
Buildings and improvements	7,456,771	-	7,456,771
Furniture and equipment	-	-	-
Vehicles	6,421,855	-	6,421,855
Infrastructure	21,373,767	29,182,807	50,556,574
Total capital assets	36,872,049	30,717,397	67,589,446
Accumulated depreciation	(10,719,956)	(7,573,106)	(18,293,062)
Net capital assets	26,152,093	23,144,291	49,296,384
Total assets	\$ 38,305,551	\$ 24,908,449	\$ 63,214,000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 1,103,898	\$ 299,011	\$ 1,402,909
Accrued expenses	363,756	-	363,756
Current portion of long-term debt	1,505,000	210,000	1,715,000
Compensated absences	95,000	-	95,000
Claims reserve	100,000	-	100,000
Due to pension trust fund	35,132	-	35,132
Accrued interest on long-term debt	68,875	30,276	99,151
Total current liabilities	3,271,661	539,287	3,810,948
<b>Long-term debt</b>			
Long-term portion	8,103,927	5,300,000	13,403,927
Compensated absences	1,042,363	-	1,042,363
Total long-term debt	9,146,290	5,300,000	14,446,290
Total liabilities	12,417,951	5,839,287	18,257,238
<b>Net assets</b>			
Invested in capital assets, net of related debt	16,543,166	17,634,292	34,177,458
Restricted - capital	19,493	-	19,493
Restricted debt service	1,569,523	-	1,569,523
Restricted for community projects	2,951,077	-	2,951,077
Unrestricted	4,804,341	1,434,870	6,239,211
Total net assets	\$ 25,887,600	\$ 19,069,162	\$ 44,956,762

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Government Wide – Statement of Activities**  
**Year Ended June 30, 2006**

Functions/ Programs	Net (Expenses) Revenues and Changes in Net Assets				
	Program Revenues		Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Primary government</b>					
Governmental activities					
Legislative	\$ 126,924	\$ -	\$ -	\$ (126,924)	\$ (126,924)
Judicial	382,120	-	-	(382,120)	(382,120)
General government	1,986,709	1,507,718	41,464	(437,527)	(437,527)
Public safety	5,426,841	876,197	-	(4,550,644)	(4,550,644)
Public works	4,533,938	94,435	-	(4,439,503)	(4,439,503)
Solid waste	1,352,824	-	-	(1,352,824)	(1,352,824)
Recreation and culture	2,014,389	150,630	-	(1,863,759)	(1,863,759)
Municipal improvements	30,127	-	-	(30,127)	(30,127)
Interest and fees on long-term debt	271,234	-	-	(271,234)	(271,234)
Total governmental activities	16,125,106	2,628,980	41,464	(13,454,662)	(13,454,662)
<b>Business-type activities</b>					
Water/Sewer	4,848,148	4,558,523	-	-	(289,625)
Public safety	331,892	336,895	-	-	5,003
Parks and recreation	277,276	173,153	-	-	(104,123)
Interest	186,296	-	-	-	(186,296)
Total Business-type activities	5,643,612	5,068,571	-	-	(575,041)
Total primary government	\$ 21,768,718	\$ 7,697,551	\$ 41,464	\$ (13,454,662)	\$ (14,029,703)
<b>General Revenues (Expenses)</b>					
Property tax					
State shared revenues				\$ 14,083,603	\$ 14,083,603
Investment earnings				2,608,124	2,608,124
Donations				246,448	42,555
Transfers in (out)				97,251	289,003
				(754,500)	97,251
Total general revenues (expenses) and transfers				16,280,926	17,077,981
Change in net assets				2,826,264	3,048,278
<b>Net assets</b>					
Beginning of year				23,061,336	18,847,148
End of year				\$ 25,887,600	\$ 19,069,162
					\$ 44,956,762

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<b>Major Fund</b>			
	<b>General Fund</b>	<b>Grosse Gratiot Drain Fund</b>	<b>Non-Major Funds</b>	<b>Totals June 30, 2006</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 3,817,501	\$ 1,377,288	\$ 4,094,317	\$ 9,289,106
Due from other funds	522,907	-	519,747	1,042,654
Accrued interest receivable	33,274	3,662	-	36,936
Accounts receivable	635,264	-	139,756	775,020
Delinquent taxes receivable	247,285	188,129	-	435,414
<b>Total assets</b>	<b>\$ 5,256,231</b>	<b>\$ 1,569,079</b>	<b>\$ 4,753,820</b>	<b>\$ 11,579,130</b>
<b>Liabilities and Fund Equity</b>				
Accounts payable	\$ 187,010	\$ 875	\$ 906,257	\$ 1,094,142
Due to other funds	35,132	-	700,747	735,879
Accrued wages and compensated absences	359,723	-	-	359,723
<b>Total liabilities</b>	<b>581,865</b>	<b>875</b>	<b>1,607,004</b>	<b>2,189,744</b>
<b>Fund balances</b>				
<b>Reserved</b>				
Reserved for debt service	-	1,568,203	1,320	1,569,523
Reserved for community programs	-	-	2,451,073	2,451,073
<b>Unreserved</b>				
Designated for insurance	300,000	-	-	300,000
Designated for subsequent years' expenditures	500,000	-	694,424	1,194,424
Special revenue fund	-	-	-	-
Municipal improvement	-	-	-	-
Undesignated	3,874,366	-	-	3,874,366
<b>Total equity and other credits</b>	<b>4,674,366</b>	<b>1,568,203</b>	<b>3,146,817</b>	<b>9,389,386</b>
<b>Total liabilities, equity and other credits</b>	<b>\$ 5,256,231</b>	<b>\$ 1,569,078</b>	<b>\$ 4,753,821</b>	<b>\$ 11,579,130</b>

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2006**

---

Total fund balances for governmental funds \$ 9,389,386

Amounts reported for governmental activities in the  
Statement of Net Assets are different because  
Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the  
governmental funds

Land and land improvements	1,619,656	
Buildings and improvements	7,456,771	
Equipment and vehicles	2,482,834	
Infrastructure	21,373,767	
Accumulated depreciation	<u>(8,078,572)</u>	24,854,456

Internal Service Funds are used by management to charge the  
costs of certain activities such as workers compensation insurance  
and data processing systems. The assets and liabilities of the  
Internal Service Fund are included in governmental activities in  
the Statement of Net Assets.

2,458,923

Long-Term Bonded Debt it not due and payable in the current  
period and therefore is not reported in the funds. Interest  
payable on long-term debt and long-term compensated absence  
are not reported in the funds. However, these amounts are  
included in the Statement of Net Assets. This is the net effect  
of these balances on the statement.

Bonds and notes payable	(9,608,927)	
Accrued interest payable	(68,875)	
Accrued compensated absences	<u>(1,137,363)</u>	<u>(10,815,165)</u>
Net assets of governmental activities		<u>\$ 25,887,600</u>

The accompanying notes are an integral part of these financial statements.



**City of Grosse Pointe Woods, Michigan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Grosse Gratiot Drain Fund</b>	<b>Non-Major Funds</b>	<b>Totals June 30, 2006</b>
<b>Revenues</b>				
Property taxes	\$ 9,244,229	\$ 3,472,294	\$ 1,367,080	\$ 14,083,603
State-shared revenues	1,682,170	-	925,954	2,608,124
Delinquent interest and collection fee income	325,632	-	-	325,632
Federal financial assistance	-	-	41,464	41,464
Other revenues	1,667,345	4,791	631,212	2,303,348
Investment income	246,448	-	-	246,448
Donations	-	-	97,251	97,251
<b>Total revenues</b>	<b>13,165,824</b>	<b>3,477,085</b>	<b>3,062,961</b>	<b>19,705,870</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	2,342,482	-	-	2,342,482
Public safety	5,102,301	-	7,867	5,110,168
Public works	875,237	-	-	875,237
Parks and recreation	1,750,909	-	-	1,750,909
Administration	-	-	890,955	890,955
Street maintenance	-	-	3,290,449	3,290,449
Winter maintenance	-	-	20,764	20,764
Ambulance activities	-	-	298,545	298,545
Drain assessment	-	1,083,079	-	1,083,079
Contractual services	-	26,875	50,971	77,846
Other	-	-	190,722	190,722
Solid waste	-	-	1,352,824	1,352,824
Municipal improvement	-	-	393,476	393,476
Charges from Internal Service for use of equipment and supplies	391,500	10,000	218,000	619,500
<b>Debt service</b>				
Principal retirement	-	1,001,272	405,000	1,406,272
Interest and paying agent fees	-	217,509	53,725	271,234
<b>Total expenditures</b>	<b>10,462,429</b>	<b>2,338,735</b>	<b>7,173,298</b>	<b>19,974,462</b>
<b>Revenues over (under) expenditures</b>	<b>2,703,395</b>	<b>1,138,350</b>	<b>(4,110,337)</b>	<b>(268,592)</b>
<b>Other financing sources (uses)</b>				
Transfers in	245,000	-	3,857,869	4,102,869
Transfers out	(3,163,122)	(1,080,000)	(659,747)	(4,902,869)
<b>Total other financing sources (uses)</b>	<b>(2,918,122)</b>	<b>(1,080,000)</b>	<b>3,198,122</b>	<b>(800,000)</b>
<b>Revenues and other financing sources over (under) expenditures and other uses</b>	<b>(214,727)</b>	<b>58,350</b>	<b>(912,215)</b>	<b>(1,068,592)</b>
<b>Fund balances</b>				
Beginning of year	4,889,093	1,509,853	4,059,033	10,457,979
End of year	\$ 4,674,366	\$ 1,568,203	\$ 3,146,818	\$ 9,389,387

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances – Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2006**

---

Net change in fund balance - total governmental funds \$ (1,068,592)

Governmental funds report capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Buildings and improvements	\$ 64,693	
Land improvements	187,120	
Equipment and vehicles	175,269	
Infrastructure	2,955,758	
Depreciation expense	<u>(747,759)</u>	2,635,081

Internal service funds are used by management to charge the costs of certain activities such as workers compensation and data processing services, to individual funds. The net revenue expense of the internal service funds is reported with governmental activities (57,393)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets

Repayment of bond principal	1,406,272
Decrease in accrued interest on long-term debt	9,235

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in accrued compensated absences	<u>(98,339)</u>
Change in net assets of governmental activities	<u>\$ 2,826,264</u>

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Major Funds</b>			<b>Internal Service Funds</b>
	<b>Water/Sewer Utility Fund</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals June 30, 2006</b>	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 699,047	\$ 187,840	\$ 886,887	\$ 1,263,333
Prepaid expenses	-	11,347	11,347	-
Accrued interest receivable	706	128	834	11,742
Billed	346,208	-	346,208	-
Estimated unbilled	658,882	-	658,882	-
Total current assets	1,704,843	199,315	1,904,158	1,275,075
<b>Net capital assets</b>	22,709,505	434,786	23,144,291	1,297,637
Total assets	<u>\$ 24,414,348</u>	<u>\$ 634,101</u>	<u>\$ 25,048,449</u>	<u>\$ 2,572,712</u>
<b>Liabilities and Fund Equity</b>				
Accounts payable	\$ 326,538	\$ 2,749	\$ 329,287	\$ 9,756
Due to other funds	140,000	-	140,000	-
Claims reserved	-	-	-	100,000
Accrued wages and compensated absences	-	-	-	4,033
Total current liabilities	466,538	2,749	469,287	113,789
Long-term debt	-	-	-	-
Current portion due within one year	210,000	-	210,000	-
Long term portion	5,300,000	-	5,300,000	-
Total long-term liabilities	5,510,000	-	5,510,000	-
Total liabilities	5,976,538	2,749	5,979,287	113,789
<b>Net assets</b>				
Investment in capital assets, net of related debt	17,199,505	434,786	17,634,291	1,297,637
Unrestricted	1,238,305	196,566	1,434,871	1,161,286
Total net assets	<u>\$ 18,437,810</u>	<u>\$ 631,352</u>	<u>\$ 19,069,162</u>	<u>\$ 2,458,923</u>

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Statement of Revenues, Expenditures, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>Major Funds</b>			
	<b>Water/Sewer Utility Fund</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals June 30, 2006</b>	
<b>Operating revenue</b>				
Water sales and charges for services	\$ 4,353,731	\$ -	\$ 4,353,731	\$ -
Penalties	43,124	-	43,124	-
Fees and violations	-	162,658	162,658	-
Park violations	-	111,789	111,789	-
Dockings and launching fees	-	173,153	173,153	-
Commodity sales	-	62,306	62,306	-
Revenue, billings to other funds	-	-	-	1,156,500
Other revenues	161,668	142	161,810	46,827
<b>Total operating revenues</b>	<b>4,558,523</b>	<b>510,048</b>	<b>5,068,571</b>	<b>1,203,327</b>
<b>Operating expenses</b>				
Water and disposal charges	2,897,187	-	2,897,187	-
Operation and maintenance	255,136	407,873	663,009	535,885
Administration	592,846	85,981	678,827	445,015
Depreciation	592,979	43,314	636,293	305,291
Insurance expense and contractual services	-	-	-	29,170
Charges from internal service funds	235,000	47,000	282,000	26,000
Payments in lieu of taxes	275,000	25,000	300,000	-
<b>Total operating expenses</b>	<b>4,848,148</b>	<b>609,168</b>	<b>5,457,316</b>	<b>1,341,361</b>
<b>Operating (loss)</b>	<b>(289,625)</b>	<b>(99,120)</b>	<b>(388,745)</b>	<b>(138,034)</b>
<b>Nonoperating revenues (expenses)</b>				
Proceeds from sale of capital assets	-	-	-	32,996
Investment income	35,007	7,548	42,555	-
Interest income	-	-	-	47,645
Interest and paying agent fees	(186,296)	-	(186,296)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(151,289)</b>	<b>7,548</b>	<b>(143,741)</b>	<b>80,641</b>
<b>Net loss before operating transfers</b>	<b>(440,914)</b>	<b>(91,572)</b>	<b>(532,486)</b>	<b>(57,393)</b>
Transfers in (out)	787,250	(32,750)	754,500	-
<b>Net income (loss)</b>	<b>346,336</b>	<b>(124,322)</b>	<b>222,014</b>	<b>(57,393)</b>
<b>Net assets</b>				
Beginning of year	18,091,474	755,673	18,847,147	2,516,316
<b>End of year</b>	<b>\$ 18,437,810</b>	<b>\$ 631,351</b>	<b>\$ 19,069,161</b>	<b>\$ 2,458,923</b>

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Major Funds</b>			
	<b>Water/Sewer Utility Fund</b>	<b>Non-Major Enterprise Funds</b>	<b>Totals June 30, 2005</b>	
<b>Cash flows provided by operating activities</b>				
Cash received from customers	\$ 4,625,362	\$ 509,920	\$ 5,135,282	\$ -
Cash from interfund services/transfers	131,597	-	131,597	1,303,684
Cash payments to suppliers	(4,111,991)	(308,769)	(4,420,760)	(1,111,212)
Cash payments to loans	-	-	-	(45,500)
Cash payments to employees	-	(248,483)	(248,483)	-
Net cash provided by (used in) operating activities	644,968	(47,332)	597,636	146,972
<b>Cash flows provided by noncapital financing activities</b>				
Operating transfers from other funds	787,250	-	787,250	-
<b>Cash flows used in capital and related financing activities</b>				
Acquisition from construction of capital assets	(1,527,086)	(32,750)	(1,559,836)	31,180
Disposition/sale of capital assets	-	-	-	(193,359)
Principal payments on revenue bond maturities	(195,000)	-	(195,000)	-
Interest payments on revenue bond maturities	(186,295)	-	(186,295)	-
Net cash used in capital and related financing activities	(1,908,381)	(32,750)	(1,941,131)	(162,179)
<b>Cash flows provided by investing activities</b>				
Interest and dividends on investments	35,007	7,548	42,555	47,645
Net increase (decrease) in cash and cash equivalents	(441,156)	(72,534)	(513,690)	32,438
<b>Cash and cash equivalents</b>				
Beginning of year	1,140,203	260,373	1,400,576	1,230,895
End of year	\$ 699,047	\$ 187,839	\$ 886,886	\$ 1,263,333
<b>Operating (loss)</b>	\$ (289,625)	\$ (99,120)	\$ (388,745)	\$ (138,034)
Adjustments to reconcile operating income to (loss) net cash provided by operating activities				
Depreciation	592,979	43,314	636,293	305,291
Changes in				
Accounts receivable	66,839	-	66,839	(1,636)
Accrued wages	(811)	-	-	101,993
Accounts payable	143,989	917	144,906	(71,226)
Deferred revenues	-	26,280	26,280	-
Due to other funds	131,597	(18,723)	-	(49,416)
Total adjustments	934,593	51,788	986,381	285,006
Net cash provided by (used in) operating activities	\$ 644,968	\$ (47,332)	\$ 597,636	\$ 146,972

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2006**

---

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,352,175	\$ 28,352
Due from other funds	35,132	-
Investments, at fair value		
U.S. government obligations	8,842,978	-
Corporate bonds	840,191	-
Stocks	23,195,276	-
Accrued interest receivable	121,513	-
Total assets	<u>\$ 34,387,265</u>	<u>\$ 28,352</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,429	\$ -
Due to other funds	198,145	3,762
Court bonds payable	-	24,590
Total liabilities	<u>205,574</u>	<u>28,352</u>
Net assets held in trust for pension benefits	<u>\$ 34,181,691</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds – Pension Trust Funds**  
**Year Ended June 30, 2006**

---

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Investment income	
Net appreciation in fair value of investments	\$ 3,262,475
Interest and dividends	<u>37,387</u>
Total investment income	3,299,862
Contributions	
Employer	1,671,244
Employee	<u>170,775</u>
Total additions	<u>5,141,881</u>
<b>Deductions</b>	
Employee refunds	110,701
Pension payments	2,077,711
Health care benefit payments	937,864
Administrative fee	<u>266,435</u>
Total deductions	<u>3,392,711</u>
Net increase	1,749,170
<b>Net assets held in trust for pension benefits</b>	
Beginning of year	<u>32,432,521</u>
End of year	<u>\$ 34,181,691</u>

The accompanying notes are an integral part of these financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**1. Reporting Entity**

The City of Grosse Pointe Woods, Michigan (the "City") was incorporated as a home rule village on January 4, 1927 and as a home rule City on December 11, 1950. The City has a population of 17,080 per the 2000 census and encompasses 3.2 square miles. The City is located approximately 10 miles north of downtown Detroit and is over 97% residential. There are no major industries or corporations located within the City limits. The City, with a summer work force of approximately 300 employees, is also the largest employer. The City operates under a City Charter, which provides for the election of a Mayor/Council who then appoints a City Administrator, City Clerk, City Comptroller and City Assessor.

The City provides a complete range of municipal services, which includes but is not limited to public safety, highways and streets, sanitation, water and sewer maintenance, building and code enforcement, parks and recreation, public improvements, planning and zoning, and general administration. The City contracts its engineering and legal services to outside professionals. A library and local school system which operate under an independent government authority both have a material impact on the housing value of the community.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board ("FASB") issued after November 30, 1989 are not applied during the preparation of the financial statements of the enterprise fund types in accordance with GASB Statement No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will and policies on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Due to its relationship with the primary government, the Grosse Pointe Woods Building Authority ("the Authority") is presented as a blended component unit.



# **City of Grosse Pointe Woods, Michigan**

## **Notes to Financial Statements**

### **June 30, 2006**

---

Commissioners of the Authority are appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to issue general obligation bonds to finance major capital construction projects for used by the City as approved by the Mayor and Council. With the changes undertaken the last several years by the Michigan Department of Treasury regarding the issuance of bonded debt the importance of the Building Authority in its role as an issuer of bonded debt has been greatly reduced.

The activities of the Grosse Pointe Public School System have been properly excluded from the City's financial statements since the City only serves as a property tax collection agent for the school system and is not responsible for administrative or fiscal matters. Furthermore, the activities of the school system are conducted in neighboring cities and offered to residents of those cities, as well as to the residents of the City of Grosse Pointe Woods. No other organizations, which were considered for inclusion in this report, have been excluded.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with applicable state laws, regulations, City Charter and/or the City Code.

#### **Basic Financial Statements – GASB Statement No. 34**

Significant changes required by GASB Statement No. 34 including the following:

- A Management's Discussion and Analysis (MD&A) section that provides an analysis of the City's overall financial position and results of operations has been included with the financial statements.
- The preparation of government-wide financial statements using the full accrual basis of accounting for all activities of the City.
- Focus on the City as a whole in the government-wide financial statements and on the City's major funds in the fund financial statements.
- Capitalization and depreciation of capital assets previously reported in the General Fixed Assets Account Group.
- Recording of long-term debt in the government wide statement of net assets and elimination of the general long-term debt account group.

The activities of the City are categorized as either governmental or business-type in both the government-wide and fund financial statements. The majority of the City's activities are governmental activities and are supported primarily by property taxes, charges for services and intergovernmental revenues while business-type activities are supported by fees and charges for services. For the most part, the effect of interfund activity has been eliminated from these statements. However, interfund activity between governmental activities and business-type activities has not been eliminated so as to not distort the direct costs and program revenues of the various functions.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

The *government-wide financial statements* report information on the City as a whole. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period and consist of the *Statement of Net Assets* and the *Statement of Activities*.

The Statement of Net Assets presents information on all of the assets and liabilities of the City, with the difference between the two reported as Net Assets. Net assets are classified into one of three categories for accounting and financial reporting purposes:

- Invested in capital assets, net of related debt. This category represents the cost of the City's capital assets, net of accumulated depreciation and reduced by any outstanding debt used to acquire those assets.
- Restricted. Assets are considered restricted when constraints are placed on their use by external sources such as creditors and grantors, or imposed by statute.
- Unrestricted. Net assets that do not meet the definition of the two preceding categories are considered unrestricted and can be used for new spending. Designations are often placed upon unrestricted net assets to indicate that internal restrictions have been placed upon their use. However, designations differ from restrictions in that they may be subsequently removed or modified by management or the City Council.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues are segregated into three categories: charges for services, operating grants and capital grants. Charges for services are those revenues generated from charges to customers or applicants who purchase, use or directly benefit from the goods and services provided by a given function or segment. Operating and capital grants are those restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not specifically associated with a particular program are reported as general revenues in the Statement of Activities.

Fund financial statements report information at the individual fund level and are, in substance, very similar to the financial statements presented in the previous financial reporting model. The focus of the fund financial statements is on the major funds of both governmental and business-type activities. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the basic financial statements and are detailed in the supplementary information. Funds are classified as governmental, proprietary or fiduciary. The fiduciary funds are included in the fund financial statements but are excluded from the government-wide financial statements since these assets are being held for the benefit of third parties and are not available to support the activities or obligations of the City.

The City reports the following major governmental funds:

- The General Fund is the chief operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund.

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements

### June 30, 2006

---

- Grosse Gratiot Drain Fund is a debt service fund. This fund accumulates resources for the payment of the city's pro-rata share of the Wayne County bonds related to the improvement and operation of the Milk River Drain Facility.
- Water and Sewer Utility Fund accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt service.

Financial information regarding the City's Internal Service Funds is presented in summary form as part of the proprietary fund financial statements. Since the principal users of the services within these funds are the City's governmental activities, the financial statements of the Internal Service Funds are consolidated into the governmental activities in the entity-wide financial statements. Surpluses or deficits of the internal service funds are allocated back to the governmental activities within the government-wide financial statements.

## 2. Basis of Presentation – Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds of the City are classified into three broad categories: governmental, proprietary and fiduciary.

The funds are grouped into three fund types and nine generic funds as described below:

### **Governmental Fund Types**

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

#### *General Fund*

This fund is established to account for resources devoted to financing the general services that the City undertakes for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

#### *Special Revenue Funds*

These funds are established to account for the proceeds of specific revenue sources, other than trusts or major capital projects, that are legally restricted to expenditures for specified purposes.

#### *Debt Service Fund*

The Debt Service Fund is used to account for revenues received and used to pay principal and interest on the City's long-term debt.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

*Capital Projects Funds*

These funds are used to account for the acquisition or construction of major capital facilities/equipment throughout the City other than those capital assets financed by Proprietary Funds.

*Proprietary Fund Types*

These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds and Internal Service Funds.

The focus of Proprietary Fund measurement is upon determination of operating income, changes in fund net assets, financial position, and cash flows, which is similar to businesses. The proprietary fund financial statements are presented on an accrual basis of accounting.

The City considers all revenues reported in the proprietary funds as operating revenues with the exception of investment income, proceeds from the sale of capital assets, and transfers in and out.

*Enterprise Funds*

These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Internal Service Funds*

These funds are established to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis. Internal Service Funds of a government (which traditionally provides services primarily to other funds of the government) are presented in summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are consolidated into the governmental activities column when presented at the governmental-wide level. The costs of these services are allocated to the appropriate functional activity. The City operates a fleet maintenance operation, a building authority, a risk management (insurance program) and a management information operation, as internal services.

**Fiduciary Fund Types**

*Pension Trust Fund*

These funds are used to account for assets held by the City in a trustee capacity for the benefit of the City's retirees and current employees.

*Agency Funds*

Funds that reflect the activities of the City acting as an agent for other governmental units or designated others. Agency Funds are, by nature, custodial; therefore, operational results are not measured.

**3. Summary of Significant Accounting Policies**

Measurement Focus and Basis of Accounting – Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

The governmental-wide financial statements as well as the financial statements of the proprietary funds and pension trust funds are accounted for using the full accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred without regard to the receipt or payment of cash or its equivalent.

The governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues of governmental funds are recognized when they become both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter usually 60 days for all revenues that are measurable to be used to pay liabilities of the current period. Federal grants, state distributions and grants, property taxes and interest earned are accrued since they are measurable and available. Special assessments are recognized as revenues only to the extent that individual installments are due within one year. Licenses and permits, fines and forfeitures and other revenues are recorded when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, which is recognized when due. The majority of the funds of the City are accounted for using the modified accrual basis of accounting. Because the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is provided after each governmental fund financial statement which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

The City does not currently employ an indirect cost allocation system. An administrative fee is charged to the City's proprietary type funds excluding the City's internal service funds in lieu of charging property taxes.

**Budgets and Budgetary Accounting**

The City Administration is required by City Charter to prepare and submit an annual budget to the City Council by the first Monday in April. A comprehensive budget is prepared on the GAAP basis for the General, Special Revenue, Debt Service, Capital Projects, Enterprise and Internal Service Funds. Budgets are prepared on the same basis of accounting as that used to record actual results, and are adopted by the City Council (Third Monday in May) as required by the Michigan Department of Treasury. During the current year end the City Comptroller included utilization of a portion of the prior year's fund balance as a means to balance the budget within the General, Special Revenue, Debt Service and Capital Projects Fund. The City budgets all funds in accordance with generally accepted accounting principles.

Except for expenditures, which are to be financed by the issuance of bonds, installment notes or for other purposes not allocated to a budget appropriation, no money may be drawn from the treasury of the City without an approved appropriation. Also no obligation incurring the expenditure of money may be incurred without an appropriation covering all payments, which will be due under such obligation in the current fiscal year. The City Council, by resolution, may transfer any unencumbered appropriation balance, or any portion thereof, from one department, fund or agency to another. The City Council must also approve any revisions to the total budget appropriation. In the case of an emergency endangering the public health, peace or safety, the Council may make additional appropriations to cover unanticipated expenditures required by the City because of such emergency. No such appropriations were made during the year ended June 30, 2006. The Mayor and City Council, in accordance with the City Charter, legally adopt budgets by the third Monday

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

in May prior to the beginning of the new fiscal year. The budgets are approved on a departmental basis for the General Fund (general government, public safety, public services and parks and recreation) and on an individual fund basis for Special Revenue, Debt Service and Capital Project Funds. No budgets are prepared for either the Cable Franchise or Parkway Beautification funds (Special Revenue Funds). Any dollar amounts expended from these funds must be approved by City Council on an individual basis.

The City Comptroller, subject to approval by the Mayor and Council, performs reallocations of previously approved budgeted amounts to individual accounts. All budgets lapse at the end of the City's fiscal year. The accompanying budgetary comparison statements include all governmental fund types for which the City adopts separate budgets. Upon its adoption, the budget document, is made available to the general public via the local newspaper and through the City Clerk's office.

**Encumbrances**

Encumbrance accounting is used to record the commitments for purchase orders and contracts in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. All budget appropriations lapse at the end of each fiscal year.

**Fund Equity**

Reserves represent those portions of fund equity not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**Cash**

Cash in excess of current operating requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

**Investments**

Investments held at June 30, 2006 are stated at fair market value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investments Pools". Several individual funds as of June 30, 2006 held AAA government agency securities that had final maturity dates in excess of one year.

**Capital Assets**

Capital assets are stated at cost or, if donated, the fair value at the date of donation. Expenditures that materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits and bond interest costs (within the proprietary funds only). In accordance with GASB 34 the City has compiled a detailed inventory of all capital assets for which it is responsible for its maintenance and repair. This is in addition to those assets that have been accounted for separately within the Business Type Activities and Internal Service Funds. These assets that previously were not depreciated are recorded depicting useful life and accumulated depreciation and are categorized by 5 distinct classifications. The City has adopted as of July 1, 2004 a capitalization policy of \$5,000 for an item or a class of items which can be included as a capital asset.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives for the following classes of assets are:

<b>Asset</b>	<b>Life in Years</b>
Water lines	50
Street/Parking lots	40
Parking meters	10
Boat docks	10
Seawalls	50
Buildings and structures	25
Vehicles	3-7
Furniture and equipment	5
Improvements	10-20

**Compensated Absences**

Employees may accumulate unused sick and vacation leave up to certain allowable limits. A percentage of unused sick/vacation leave is paid to employees, upon written request depending on union affiliation, termination, retirement or death.

The City's policy is to accrue in the Governmental funds, the portion of the liability for compensated sick and vacation time, which have accrued and is expected to be paid with expendable available financial resources. For 2005-06 the accrued liability was \$67,296.41 and for long-term it was \$1,137,363. The portion of the vested liability, which is not expected to be paid with expendable available financial resources, is recorded in the Government wide statements as a long-term liability.

**Cash Equivalents**

For purposes of the Combined Statement of Cash Flows, the Business Type Activities and Internal Service funds consider all highly liquid investments (including restricted assets) with an original maturity of three months or less from date of purchase to be cash equivalents.

**Self-Funded Insurance**

In 1995, the City established the Workers Compensation Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss when notified of a workmen's compensation claim. Under this program, the Workers Compensation Fund retains coverage for up to a maximum of \$350,000 for each worker's compensation claim. After which, the City is reinsured up to an unlimited dollar amount for claims in excess of coverage provided by the fund as stipulated by Michigan law. As of June 30, 2006, the City had accumulated net assets of \$678,017 to pay claims in excess of an estimated \$100,000, which had been reserved to finance anticipated costs for expenses not yet reported. Since becoming self-insured, the City has not experienced or had to reserve for monetary loss where the dollar value has exceeded either coverage or loss fund limits.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

All funds, which account for labor costs, participate in the program and make payments to the Workers Compensation Fund to cover actuarial estimates of the amounts needed to pay current-year claims. The claims liability of \$100,000 reported in the fund at June 30, 2006 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

This liability includes an amount for claims that may have been incurred but not reported (I.B.N.R.). Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The City's coverages are reviewed on a yearly basis and increased where necessary.

	<b>Changes in Estimated Workers Compensation Claims Reserve are as follows</b>	
	<b>2006</b>	<b>2005</b>
Beginning balance	\$ 100,000	\$ 100,000
Change in estimate	-	-
Claim payments	-	-
Ending balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**4. Deposits and Investments**

**Deposits**

At year-end, the carrying amount of the City's cash and cash equivalents for all funds including retirement funds was \$11,919,467 and the bank balance was \$11,575,917. Of the bank balance, \$8,498,297 was covered by federal depository insurance and \$3,077,620 remained uninsured and uncollateralized.

All nonpension fund investments of the City are invested only with highly rated Michigan banks, Government Agencies and/or financial institutions and invested in compliance with P.A 20 and per the City's Investment policy. Council approval is needed before the City Treasurer may initially invest funds with a financial institution and an annual report is required from all institutions that the City invests monies with.



**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**Pooling of Cash**

In accordance with GASB 40, *Deposit and Investment Risk Disclosures*, the City maintains an internal cash management pool for its cash and cash equivalents in which each fund type participates on a dollar equivalent and daily transaction basis. Investment earnings (which includes realized and unrealized gains and losses as well as interest income) are distributed monthly to the individual funds. The investment earnings on the City's cash management pool are reported as part of the investing contract.

The City has implemented a totally online banking system that includes the use of daily sweeps. This allows the City's short-term portfolio to be fully invested at all times. Michigan statutes provide for a deposit collateral pool by its banks, which insure local government deposits.

The City's cash management pool is treated as a cash equivalent for reporting purposes because it is an internally managed mutual fund which allows individual funds to, at any time, deposit additional cash or to make withdrawals without prior notice or penalty.

The City's cash management guidelines except for its pension fund and deferred compensation assets are defined by City ordinance and a written investment policy approved by the City Council and reviewed annually by its Finance Committee. The investment policy specifies limits by instrument and issuer and establishes a diversified investment strategy, minimum credit quality and authorized institutions available as counter parties. The implementation and direction of investment strategies, within policy limits, are established by the City Comptroller/City Treasurer, reviewed by the Finance Committee and managed by the City Treasurer and his staff.

The City does not employ any third (3rd) party managers to assist in the operations and management of the investment of short-term funds.

Even though the City's investment policy authorizes the use of options, puts and other investment vehicles the City has limited its investment choices to certificates of deposit issued by Michigan Banks, commercial paper of AA grade or higher and those securities issued by the United States Government.

**Cash Management Pool**  
**Portfolio Characteristics**  
**As of June 30, 2006**

	<b>In-House Management % of Portfolio</b>
U.S. government debt	91%
Money market funds	3%
Certificates of deposit	6%
	<hr/>
	100%

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**Pension Plan Portfolio Guidelines**

The City's defined benefit pension plan has adopted an investment policy that specifies investment guidelines and objectives for the portfolio as a whole and for each individual manager. As of June 30, 2006 the City has contracted with five (5) portfolio managers each specializing in a different sector of the market. The City employs Merrill Lynch to monitor the performance of each of the managers and report to the Pension Board on a quarterly basis on the overall performance of the managers and the portfolio as a whole.

**The City of Grosse Pointe Woods Retirement System**  
**All Employees**

	<b>Fair Market Value</b>
<b>Fixed income</b>	
U.S. government debt	\$ 3,246,955
Mortgage back securities	5,561,703
Domestic corporate bond	620,504
International bonds	198,500
Total	<u>9,627,662</u>
<b>Equities</b>	
U.S. Small Cap Value	3,643,468
U.S. Mid Cap Value	8,331,551
U.S. Large Cap Growth	7,348,120
International	3,784,239
Total	<u>23,107,378</u>
Cash and cash equivalents	<u>1,183,857</u>
Total managed pension portfolio	<u>\$33,918,897</u>

**Investments**

All the Municipalities investments, short-term securities (less than one year), are based upon reasonable research as to credit quality, liquidity and counter party risk prior to the investment being made.

The following schedule details the cash, cash equivalents (including the cash management pool overseen by Comerica Bank) and pension portfolios as shown in the financial statements.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

Cash and short-term investments as of June 30, 2006:

<b>Government Funds</b>	
Cash and cash equivalents	9,289,106
<b>Business Type Activities</b>	
Cash and cash equivalents	1,263,333
<b>Pension/Agency/Trust Funds</b>	
Cash and cash equivalents	1,367,028
Investments	32,878,445
Total cash and investments	<u>\$ 34,245,473</u>
<b>Investment Schedules</b>	
Operating portfolio	8,218,837
Pension portfolio	35,102,754
Retiree health care	143,405
Total cash and investments	<u>\$ 43,464,996</u>

For investment purposes, the City considers an expenditure/expense incurred upon clearing the bank and thus the cash balance may be negative.

The City doesn't participate in security lending in either its operating and pension portfolio.

Investment performance should be measured against comparable indices, which provide a standard when measuring the Portfolio Management Programs investment opportunities, liquidity (cash flows) and demand and policy restrictions the following schedule reflects the City's operating portfolio performance against market indices and direct U.S. Government securities reflective of the short-term nature and comparable to both the target and policy average maximum maturities.

**Investment Portfolio Performance**

	<b>% Annual Return</b>	<b>5 Year Average Amount %*</b>
City Operating Portfolio	2.69	4.82
U.S. Treasury		
1-3 Year Index	.98	4.06
U.S. Treasury		
1-5 Year Index	.74	4.59
<b>Portfolio Indices **</b>		
91 day T Bill	2.62	2.46
182 day T Bill	2.46	2.75
1 year T Note	1.69	3.28
2 year T Note	.76	4.23
5 year T Note	(.19)	5.83

\* Annualized return

\*\* Maintained by Merrill Lynch

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

**5. Capital Assets**

**Capital Assets**

An analysis of property and equipment as reported in the Statement of Net Assets, and related accumulated depreciation, at June 30, 2006 for governmental activities follows:

Governmental Activities	Balance, July 1, 2005	Additions	Disposals	Balance, June 30, 2006
<b>Capital assets, not being depreciated</b>				
Land	\$ 1,439,899	\$ 62,991	\$ -	\$ 1,502,890
Total capital assets, not being depreciated	1,439,899	62,991	-	1,502,890
<b>Capital assets, being depreciated</b>				
Land improvements	115,064	1,702	-	116,766
Buildings	7,269,651	187,120	-	7,456,771
Equipment and vehicles	2,307,566	175,268	-	2,482,834
Infrastructure	18,418,009	2,955,758	-	21,373,767
Total capital assets, being depreciated	28,110,290	3,319,848	-	31,430,138
Less: Accumulated depreciation				
Land improvements	3,706	3,242	-	6,948
Infrastructure	3,150,344	419,308	-	3,569,652
Buildings	1,980,790	194,811	-	2,175,601
Equipment and vehicles	2,195,973	130,398	-	2,326,371
Total accumulated depreciation	7,330,813	747,759	-	8,078,572
Total capital assets, being depreciated, net	20,779,477	2,572,089	-	23,351,566
Governmental activity capital assets, net	\$ 22,219,376	\$ 2,635,080	\$ -	\$ 24,854,456
<b>Internal service funds</b>				
<b>Capital assets being depreciated</b>				
Equipment and vehicles	3,914,996	222,246	198,221	3,939,021
Less: Accumulated depreciation	2,507,243	134,141	-	2,641,384
Total capital assets, being depreciated, net	\$ 1,407,753	\$ 88,105	\$ 198,221	\$ 1,497,631
Total capital assets, net	\$ 23,627,129	\$ 2,723,185	\$ 198,221	\$ 26,152,093

The components of capital assets for Enterprise Funds at June 30, 2006 are summarized as follows:

	Enterprise Funds
Infrastructure/land improvements	\$ 30,717,397
Less: Accumulated depreciation	(7,573,106)
Total	<u>\$ 23,144,291</u>

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

Depreciation was allocated within the Statement of Governmental Activities as follows:

General government	\$ 38,250
Public safety	40,903
Public works	443,376
Parks/recreation	<u>225,230</u>
Subtotal	747,759
Internal service funds	<u>305,291</u>
Grand total	<u>\$ 1,053,050</u>

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

**6. Long-Term Debt**

Changes in long-term liabilities of the City for the year ended June 30, 2006 and debt service to maturity for bonds and contract payable were as follows:

Type of Security and Description of Issue	Date of Issue	Amount Authorized and Issued	Amount Outstanding at July 1, 2005	Additions	Reductions	Amount Outstanding at June 30, 2006	Amount Due in One Year	Interest Rates	Maturity Dates
General Obligation Bonds									
2003 Recreation Refunding Bonds	06/01/03	2,175,000	2,155,000	-	(405,000)	1,750,000	430,000	1.1% to 3.55%	10/1/2003 to 10/1/2009
Contract - Wayne County Drain Commission, Wayne County Combined Drain Bonds	Various	19,208,696	8,860,199	-	(1,001,272)	7,858,927	1,075,000	Various	11/01/92 to 08/01/04
			11,015,199	-	(1,406,272)	9,608,927	1,505,000		
Other long-term liabilities, accrued compensated absences			1,039,024	686,000	(587,661)	1,137,363	95,000		
Total General Long-Term Governmental Activities			12,054,223	686,000	(1,993,933)	10,746,290	1,600,000		
Enterprise Fund									
1993 Revenue Bonds	09/01/93	2,020,000	405,000	-	(195,000)	210,000	210,000	4.5 to 4.65%	11/01/93 to 11/01/06
2003 Revenue Bonds	06/01/03	5,300,000	5,300,000	-	-	5,300,000	-	2.2 to 4.0%	11/01/02 to 11/01/22
Total Long-Term Debt			\$ 17,759,223	\$ 686,000	\$ (2,188,933)	\$ 16,256,290	\$ 1,810,000		

\*The City's policy is to account for all of its compensated absences within the Governmental Activities - Statement of Net Assets.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

	2003 Park Refunding	Wayne County Combined Drain Bonds	1993 Revenue Bonds	2003 Revenue Bonds	Total
2007	\$ 473,100	\$ 1,218,996	\$ 214,830	\$ 173,829	\$ 2,080,755
2008	473,410	1,221,084	-	421,016	2,115,510
2009	481,465	1,224,895	-	420,176	2,126,536
2010	427,455	1,221,465	-	423,835	2,072,755
2011	-	1,225,119	-	426,741	1,651,860
2012	-	1,229,746	-	423,760	1,653,506
2013	-	1,236,773	-	425,029	1,661,802
2014	-	-	-	430,732	430,732
2015	-	-	-	431,044	431,044
2016	-	-	-	435,760	435,760
2017	-	-	-	434,660	434,660
2018	-	-	-	437,799	437,799
2019	-	-	-	445,019	445,019
2020	-	-	-	446,245	446,245
2021	-	-	-	446,534	446,534
2022	-	-	-	450,759	450,759
2023	-	-	-	453,789	453,789
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	-	-	-
Less: Interest	1,855,430	8,578,078	214,830	7,126,727	17,775,065
	(105,430)	(719,151)	(4,830)	(1,826,727)	(2,656,138)
	\$ 1,750,000	\$ 7,858,927	\$ 210,000	\$ 5,300,000	\$ 15,118,927

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

**7. Contingent Liabilities**

There are various legal actions and claims pending against the City. In the opinion of City management and their attorneys, the ultimate liability, if any, with respect to these matters will not materially affect the financial position of the City.

**8. Interfund Balances and Transfers**

The following reconciles the City's due to and due from and the transfers in/out during the course of the fiscal year:

	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General	\$ 522,907	\$ 35,132
Local Streets	500,000	-
Grants	-	6,000
Cable Fund	-	594,747
Municipal improvement	19,747	100,000
Water/Sewer	-	140,000
Wayne County Tax	-	3,762
Pension	35,132	198,145
	<u>\$ 1,077,786</u>	<u>\$ 1,077,786</u>

Interfund due from/due to accounts (both between funds and between the primary government) are only used at year end as needed. These reflect budgeted amounts at year end.



**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

	<b>Transfer In</b>	<b>Transfer Out</b>
General	\$ 245,000	\$ 3,163,122
<b>Special Revenue</b>		
Major Streets	369,000	-
Local Streets	2,585,000	350,000
Ambulance	294,122	-
Solid Waste	-	85,000
Cable Fund	430,000	724,747
<b>Debt Service</b>		
1997 Recreation	460,000	-
Grosse Gratiot Drain	-	1,080,000
<b>Capital Projects</b>		
Municipal Improvement	219,747	-
<b>Enterprise</b>		
Parking Fund	-	22,750
Water/Sewer	810,000	22,750
Commodity Sales	-	10,000
<b>Internal Service</b>		
Building Authority	45,500	-
	<u>\$ 5,458,369</u>	<u>\$ 5,458,369</u>

During the budget process the mayor/council approve the various transfers between funds to finance specific projects and operations.

**9. Retirement System**

**Description**

The City has a contributory single employer defined benefit pension plan ("City of Grosse Pointe Woods Employees Retirement System" or the "System") which covers substantially all full-time employees. Total payroll expenditures that may be included in the pension benefit calculation for all employees covered by the System for the year ended June 30, 2006 were \$5,297,646 this included \$2,834,451 for General employees and \$2,463,195 for Public Safety employees. Total cash basis payroll expenditures for all employees for the year ended June 30, 2006 were \$7,220,536. Transactions in connection with City and employee contributions, pension payments to retirees or their beneficiaries and the management, investment and related cost of overseeing of the System's assets are accounted for on the accrual basis in the Pension Trust Fund of the City. Contributions are recognized when due based upon the recommendation of the City's actuaries.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

All City employees, working at least 1,200 hours per year, are eligible to participate in the System. All benefits and refunds of participant contributions are recognized when due and payable upon approval from City Council. Employees vest after 10 years of service with special provisions for death and disability (duty and non-duty) benefits. As of June 30, 2006, 82 retirees and/or beneficiaries were receiving benefit payments and healthcare coverage. The System has 100 active members (of which 41 were fully vested and the remainder partially vested). Benefit payments are computed based on years of service, final average compensation and an annual percentage factor, which is a negotiable item with the various unions. The City and covered employees are required to make contributions in accordance with the Retirement System Ordinance (5% for General Employees and 6% for Public Safety Employees). The Retirement System Ordinance as well as the various union agreements establishes the various post retirement medical and life benefits to be paid by the System. Both the union and the City Administration must agree upon any benefit changes with final approval by the Mayor and Council. The City utilizes the actuarial firm of Gabriel, Roeder, Smith and Company to perform an annual review of the Retirement System as well as to provide other actuarial services, as requested.

The Supplemental Annuity Fund, a single employer plan, is an additional benefit that is paid to eligible retirees based upon their total years of service with the City at the date of their retirement. Amounts paid to the retiree range from \$3,000 annually for 10 years of service to \$4,800 maximum for 25 years of service. The Supplemental Annuity Fund was established as a negotiable item within the various union contracts. . Supplemental annuity benefits were discontinued for all Public Safety employees effective January 1, 1995. The monies transferred by the City to the Supplemental Annuity Fund are done subsequent to an actuarial review performed by Gabriel, Roeder and Smith. The City pays 100% of the contributions made to the Plan.

**Contributions**

The System's funding policy provides for monthly contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using the entry age actuarial funding method. Assets in excess of the net pension obligation are being amortized as a level percent of payroll over a period of 11 years (19 years for the supplemental annuity plan). Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the net pension obligation.

During the year ended June 30, 2006, contributions totaling \$1,391,108 were made, which included \$1,220,333 by the City and \$170,775 by its employees. The recommended percent of payroll contribution by the City for the fiscal year 2005-06 consisted of 12.54% General and 15.50% which is net of the employees contribution rate of 5% (General) and 6% (Public Safety). Due to the poor investment returns the past several years the City also contributed an additional 2.80% towards its unfunded actuarial accrued liabilities. An alternative method of contributions is the actuarially determined flat dollar amount of contributions, which in total requested \$408,515 for general members and \$432,859 Public Safety employees for pension benefits. Since the City has continuously funded its health care benefits for its retirees on a pay as you go basis the excess credit/contribution is used to reduce the health care expenditure. In addition to the above the City also contributed \$158,911 that was used for future health care purposes for retirees.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

In addition to the Pension System the City also contributed \$292,000 to the employees Supplemental Annuity Fund.

The City's financial policy in compliance with State law states that the City will contribute the annual required contribution for both pension and health care benefits unless the Mayor and City Council denote otherwise during the budget process.

The City's Retirement Board does not issue a separate independent financial report for either the Retirement System or Supplemental Annuity plan.

**Post Retirement Benefits**

In addition to providing pension benefits, as stipulated by Ordinance 543 of the City Code, the City provides health and dental care benefits for retired employees and their eligible dependents. The City of Grosse Pointe Woods is the administrator of the Plan. All of the City's full-time employees may become eligible for these benefits if they reach normal retirement age or are granted a disability pension while working for the City. The cost of providing medical benefits for 83 retirees for the year ended June 30, 2006 totaled \$937,864.

As of June 30, 2008, the City in following G.A.S.B. statements 43 and 45 will be required to state if any a liability for its number of amortized shares of an annual required contribution (A.R.C.) for post-employment benefits either negotiated with or promised to all full time employees and current retirees. The City in recognizing the impact of theses pronouncements has already received an estimate (as of June 30, 2004) from its actuary as to the dollar value of it. A.R.C. has began pro-active measures to be able to meet its future obligations.

As of June 30, 2005, the City Established a Retiree Health Care Fund to begin the accumulation of assets to finance it's A.R.C. These funds are managed by a third party "investment advisor" and like the Pension and Supplemental Annuity Fund are under the review of the City's Retirement Board. As of June 30, 2006 there was \$312,447 in net assets held in the plan.

**10. Tax Calendar**

The assessed and equalized valuations of taxable property is determined as of December 31st of each year and is the basis upon which property taxes are levied during the succeeding fiscal year. The passage of Proposal A in March 1994 radically changed the methodology utilized by the City in deriving property values therefore affecting tax collections. Property tax levies are based on taxable value instead of state equalized value. Prior to the revision in the Tax Act, tax levies were computed on a property's "S.E.V." which approximated 50% of the property's market value. Proposal A capped the taxable value of each parcel of property, adjusted for additions and losses, at the previous year's rate of inflation or 5% whichever is less, until the property is sold or transferred. When ownership of a parcel of property is transferred, the taxable value and the state equalized value are readjusted to 50% of true cash value the first calendar year following the sale.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

The Mayor and City Council by Charter may levy up to 20 mills for maintenance and operations of the City. Passage of the Headlee Act, effective December 23, 1978, made it necessary for the City to reduce its total authorized operating millage from 20 mills to 14.0492 mills. The millage rate levied by the City for fiscal year 2005-06 was as follows:

July 1 - 2005 Summer bill	\$ 12.99	
December 1 - 2005 Winter bill	4.27	
Subtotal	<u>\$ 17.26</u>	mills

The tax levy of the City is established by the City Council. The assessment of all properties is performed by the City Assessor and validated by Wayne County Department of Equalization. By Charter, the City Treasurer is responsible for the collection and distribution of tax monies to the respective governmental agencies.

The property tax calendar for revenues billing received and accrued for the fiscal year ended June 30, 2006 is shown as follows:

	Summer	Winter
Valuation date (tax day)	December 31, 2004	December 31, 2003
Public hearing date to adopt mileage	Third Monday - May	
Tax bills due and payable (lien date)	July 1, 2005	December 1, 2005
Tax bills due without penalty	September 18, 2005	February 14, 2006
Last day taxes payable at City	February 28, 2006	February 28, 2006

After February 28th, 2006 all real property taxes were payable at the Wayne County Treasurer's office. The City Treasurer is mandated by law to collect all unpaid personal property taxes as of March 1<sup>st</sup> with additional interest and penalties as prescribed by State Statute.

**11. Other Required Individual Fund Disclosures**

Generally accepted accounting principles require disclosure in the general-purpose financial statements of certain information relating to individual funds as presented.

The City utilizes a percentage of prior year equity, when sufficient, to provide a balanced budget in certain individual funds. As of June 30, 2006 the City had no funds that had a deficit in either its Fund Balances or Unrestricted Net Assets.

**12. Deferred Compensation Plan**

The City offers its employees a Deferred Compensation Plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all full time city employees, which permits them to defer a portion of their salary until future years. Payment of the deferred compensation is not available to employees until retirement, death or unforeseeable emergency. As of June 30, 2006 employees who had elected to participate in the plan had contributed \$3,037,246.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are solely the property and rights of the individual participants.

**City of Grosse Pointe Woods, Michigan**  
**Notes to Financial Statements**  
**June 30, 2006**

---

In accordance with GASB Statement No. 32, all the assets held in trust were removed from the financial statements as the City no longer has legal control over the Plan assets.

**13. Accumulated Assets**

Accumulated assets for the post-employment health care benefits are recognized in the Retiree Health Care Trust Fund. The City in preparation for proposed statements Numbers 45 and 43 as put forward by the Governmental Accounting Standards Board created a trust fund to accumulate and invest monies to finance future health care liabilities.

The new statements provide guidance for governmental agencies in recognizing the cost of retiree health care as well as any other post employment benefit. The new rule will mandate that governmental agencies recognize and reflect the true cost of providing retiree health care coverage over the estimated working life of the employee, rather than at the time the actual benefit payment is made. The new pronouncement is effective for the fiscal year ending June 30, 2009.

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
REQUIRED SUPPLEMENTARY INFORMATION**

**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Pension Plan**  
(dollar amount in thousands)  
**June 30, 2006**

July 1, 2005 Actuarial Valuation Date	(a)  Actuarial Value of Assets	(b)  Actuarial Accrued Liability (AAL) Entry Age	(b)-(a)  Unfunded AAL (UAAL)	(a)/(b)  Funded Ratio	(c)  Covered Payroll	((b-a)/c)  UAAL as a Percent of Covered Payroll
1997	\$ 26,876	\$ 20,533	\$ (6,343)	130.9 %	\$ 3,882	0.0 %
1998	30,018	22,403	(7,615)	134.0 %	4,305	0.0 %
1999	33,785	26,108	(7,677)	129.4 %	4,426	0.0 %
2000	36,943	27,097	(9,846)	136.3 %	4,553	0.0 %
2001	38,298	29,108	(9,190)	136.6 %	4,853	0.0 %
2002	37,739	30,427	(7,312)	124.0 %	5,058	0.0 %
2003	35,745	32,137	(3,608)	111.2 %	4,970	0.0 %
2004	34,404	33,804	(600)	101.8 %	5,050	0.0 %
2005	33,329	36,141	2,812	92.2 %	5,436	51.7 %

**Summary of actuarial Methods and Assumptions**

Valuation date	June 30, 2005
Actuarial cost method	Entry age. Actuarial cost method
Amortization method	Level percent of payroll, closed
Remaining amortization period	10 years
Asset valuation method	4 year Smoothed Market value
Actuarial assumptions	
Investment rate of return*	8.0%
Projected salary increase*	5-5% - 9.3%
Assumed payroll growth	5.5%
Cost-of-living adjustments	2.5% - compound

\*includes inflation at 5.0%

**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Schedule of Employer Contributions (Pension Plan)**  
**Pension Plan Except for Health Insurance**  
(dollar amount in thousands)  
**June 30, 2006**

<b>Fiscal Year Beginning July 1</b>	<b>Annual Required Contribution</b>	<b>Annual Contributions*</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
1997	\$ 272,760	\$ 214,343	79%	-
1998	179,261	175,441	98%	-
1999	75,147	79,786	106%	-
2000	-	77,798	**	-
2001	-	261,297	**	-
2002	-	39,549	**	-
2003	-	-	0%	-
2004	169,976	169,976	100%	-
2005	575,540	575,540	100%	-

\*\* No annual requirement for the fiscal year, however, contributions have been made on behalf of the City.



**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Supplementary Annuity Fund**  
(dollar amount in thousands)  
**June 30, 2006**

Actuarial Valuation Date July 1	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Attained Age	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percent of Covered Payroll
1997	\$ 592	2,091	\$ 1,499	28.3 %	\$ 3,882	38.6 %
1998	690	2,163	1,473	31.9 %	4,305	34.2 %
1999	760	2,359	1,599	32.2 %	4,426	36.1 %
2000	739	2,406	1,667	30.7 %	4,553	36.6 %
2001	712	2,463	1,751	28.9 %	4,853	36.1 %
2002	642	2,575	1,933	24.9 %	5,058	38.2 %
2003	581	2,639	2,058	22.0 %	4,970	53.1 %
2004	591	2,662	2,071	22.2 %	5,050	41.0 %
2005	619	2,687	2,068	23.0 %	5,436	38.0 %

**Summary of actuarial Methods and Assumptions**

Valuation date	June 30, 2005
Actuarial cost method	Entry age. Actuarial cost method, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	19 years
Asset valuation method	Market Value
Actuarial assumptions	
Investment rate of return*	8.0%
Projected salary increase*	5-5% - 9.3%
Assumed payroll growth	5.5%
Cost-of-living adjustments	2.5% - compound for retirees after June 30, 1990

\*includes inflation at 5.0%

**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Supplemental Annuities**  
(dollar amount in thousands)  
**June 30, 2006**

<b>Fiscal Year Beginning July 1</b>	<b>Annual Required Contribution</b>	<b>Annual Contributions*</b>	<b>Percentage Contributed</b>	<b>Net Pension Obligation</b>
1997	\$ 160,219	\$ 191,250	119%	-
1998	155,713	176,500	113%	-
1999	158,250	178,500	113%	-
2000	173,639	205,000	118%	-
2001	173,282	202,000	117%	-
2002	193,418	193,006	100%	-
2003	215,888	203,000	94%	-
2004	234,098	250,000	100%	-
2005	236,845	292,000	123%	-

**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Governmental Funds**  
**June 30, 2006**

	<b>General Fund</b>			<b>Variance with Final Budget Over (Under)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues</b>				
Property taxes	\$ 9,093,000	\$ 9,093,000	\$ 9,244,229	\$ 151,229
Intergovernmental revenues	1,685,000	1,685,000	1,682,170	(2,830)
	<u>10,778,000</u>	<u>10,778,000</u>	<u>10,926,399</u>	<u>148,399</u>
Delinquent interest and collection fee income	300,000	300,000	325,632	25,632
<b>Other revenues</b>				
Traffic violations and court fees	695,000	695,000	616,547	(78,453)
Licenses and permits	769,000	769,000	653,390	(115,610)
Public service administration charge	300,000	300,000	300,000	-
Miscellaneous income	368,000	368,000	343,856	(24,144)
Total other revenues	<u>2,132,000</u>	<u>2,132,000</u>	<u>1,913,793</u>	<u>(218,207)</u>
Operating transfer in	<u>170,000</u>	<u>170,000</u>	<u>245,000</u>	<u>75,000</u>
Total revenues and other financing sources	<u>\$ 13,380,000</u>	<u>\$ 13,380,000</u>	<u>\$ 13,410,824</u>	<u>\$ 30,824</u>
				continued

Note: The City of Grosse Pointe Woods budget is prepared based upon generally accepted accounting principles. Therefore, no reconciliation is required.

**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Governmental Funds**  
**June 30, 2006**

	<b>General Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget (Under) Over</b>
<b>General government</b>				
Legislative				
Personal services	\$ 140,000	\$ 117,800	\$ 109,733	\$ (8,067)
Commissions	24,000	21,000	17,191	(3,809)
Total	<u>164,000</u>	<u>138,800</u>	<u>126,924</u>	<u>(11,876)</u>
Judicial				
Personal services	95,000	125,000	119,919	(5,081)
Court-related fees	309,000	268,000	262,201	(5,799)
Total	<u>404,000</u>	<u>393,000</u>	<u>382,120</u>	<u>(10,880)</u>
Executive				
City Clerk	300,000	280,500	256,329	(24,171)
City Comptroller	402,000	381,200	371,372	(9,828)
City Attorney	213,000	194,000	188,284	(5,716)
Administration	221,000	214,000	199,934	(14,066)
Building inspections	218,000	248,500	243,308	(5,192)
Fringes	393,000	517,500	448,199	(69,301)
Other services and charges	115,000	130,000	126,012	(3,988)
Total	<u>1,862,000</u>	<u>1,965,700</u>	<u>1,833,438</u>	<u>(132,262)</u>
Charges from Internal Service Fund for use of equipment and supplies	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
Total general government	<u>2,515,000</u>	<u>2,582,500</u>	<u>2,427,482</u>	<u>(155,018)</u>
<b>Public safety</b>				
General				
Supervision and administration	<u>381,000</u>	<u>388,000</u>	<u>374,300</u>	<u>(13,700)</u>
General				
Police service	2,644,000	2,669,500	2,654,638	(14,862)
Support service	130,000	120,000	112,248	(7,752)
Total police	<u>2,774,000</u>	<u>2,789,500</u>	<u>2,766,886</u>	<u>(22,614)</u>
Fire, prevention and inspection	<u>250,000</u>	<u>212,500</u>	<u>207,954</u>	<u>(4,546)</u>
Employee fringe benefits	<u>1,545,000</u>	<u>1,616,500</u>	<u>1,610,966</u>	<u>(5,534)</u>
Other services & charges	<u>135,000</u>	<u>145,000</u>	<u>142,195</u>	<u>(2,805)</u>
Charges from Internal Service Fund for use of equipment and supplies	<u>275,000</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
Total public safety	<u>5,360,000</u>	<u>5,336,500</u>	<u>5,287,301</u>	<u>(49,199)</u>

continued

**City of Grosse Pointe Woods, Michigan**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Governmental Funds**  
**June 30, 2006**

	<b>General Fund</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
	<b>Budget</b>	<b>Budget</b>		<b>Over</b>
				<b>(Under)</b>
<b>Public Works</b>				
General				
Supervision and engineering	\$ 60,000	\$ 60,000	\$ 54,562	\$ (5,438)
Employee fringe benefits	79,500	77,500	72,974	(4,526)
City building and grounds	80,000	137,000	135,324	(1,676)
Total	219,500	274,500	262,860	(11,640)
Operating expenditures	569,000	616,000	612,377	(3,624)
Charges from Internal Service Funds for use of equipment and supplies	50,500	50,500	50,500	-
Total public works	839,000	941,000	925,737	(15,264)
<b>Parks and recreation</b>				
General				
Supervision and engineering	30,000	17,000	14,782	(2,218)
Employee fringe benefits	164,000	161,000	155,980	(5,020)
Total	194,000	178,000	170,762	(7,238)
Recreation				
Lake Front Park	1,080,000	1,240,000	1,232,588	(7,412)
City Parks	45,000	39,000	37,262	(1,738)
Community Center	340,000	297,000	285,082	(11,918)
Total recreation	1,465,000	1,576,000	1,554,932	(21,068)
Operating expenditures	25,000	26,000	25,215	(785)
Charges from Internal Service Funds for use of equipment and supplies	71,000	71,000	71,000	-
Total parks and recreation	1,755,000	1,851,000	1,821,909	(29,091)
Transfers out	3,416,000	3,169,000	3,163,122	(5,878)
Total expenditures and transfers out	\$13,885,000	\$13,880,000	\$13,625,551	\$ (254,450)

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
B – NON-MAJOR GOVERNMENTAL COMBINING**

**City of Grosse Pointe Woods, Michigan**  
**Balance Sheet**  
**Non-Major Governmental Funds – By Fund Type**  
**June 30, 2006**

	Special Revenue	Debt Service	Municipal Improvement Fund Capital Project	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 3,987,223	\$ 1,320	\$ 105,774	\$ 4,094,317
Due from other funds	500,000	-	19,747	519,747
Accounts receivable	139,756	-	-	139,756
Total assets	<u>\$ 4,626,979</u>	<u>\$ 1,320</u>	<u>\$ 125,521</u>	<u>\$ 4,753,820</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 900,228	\$ -	\$ 6,028	\$ 906,256
Due to other funds	600,747	-	100,000	700,747
Total liabilities	<u>1,500,975</u>	<u>-</u>	<u>106,028</u>	<u>1,607,003</u>
<b>Fund balances</b>				
Reserved for community programs	2,451,073			2,451,073
Reserved for debt service		1,320		1,320
Unreserved, designated for subsequent years programs	674,931		19,493	694,424
Total fund balances	<u>3,126,004</u>	<u>1,320</u>	<u>19,493</u>	<u>3,146,817</u>
Total liabilities and fund balances	<u>\$ 4,626,979</u>	<u>\$ 1,320</u>	<u>\$ 125,521</u>	<u>\$ 4,753,820</u>

**City of Grosse Pointe Woods, Michigan**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds – By Fund Type**  
**Year Ended June 30, 2006**

	Special Revenue	Debt Service	Municipal Improvement Fund Capital Project	Totals
<b>Revenues</b>				
Property taxes	\$ 1,367,080	\$ -	\$ -	\$ 1,367,080
State-shared taxes	925,954	-	-	925,954
Federal financial assistance	41,464	-	-	41,464
Donations	97,251	-	-	97,251
Interest income	-	-	-	-
Other revenues	576,035	30	55,147	631,212
Total revenues	3,007,784	30	55,147	3,062,961
<b>Expenditures</b>				
Ambulance services	298,545	-	-	298,545
Public safety training	7,867	-	-	7,867
Street maintenance	3,290,449	-	-	3,290,449
Winter maintenance	20,764	-	-	20,764
Administration and maintenance	890,955	-	-	890,955
Solid waste/recycling services	1,352,824	-	-	1,352,824
Bond and debt retirements	-	405,000	-	405,000
Interest and paying agent fees	-	53,725	-	53,725
Municipal improvement	-	-	393,476	393,476
Other	190,722	-	-	190,722
Contractual services	50,971	-	-	50,971
Charges from Internal Service Funds for use of equipment and supplies	218,000	-	-	218,000
Total expenditures	6,321,097	458,725	393,476	7,173,298
Revenues (under) expenditures	(3,313,313)	(458,695)	(338,329)	(4,110,337)
<b>Other financing sources (uses)</b>				
Transfers in	3,178,122	460,000	219,747	3,857,869
Transfers out	(659,747)	-	-	(659,747)
Total revenues and other financing sources (uses)	2,518,375	460,000	219,747	3,198,122
Revenues and other financing sources over (under) expenditures	(794,938)	1,305	(118,582)	(912,215)
<b>Fund balances</b>				
Beginning of year	3,920,943	15	138,075	4,059,033
End of year	\$ 3,126,005	\$ 1,320	\$ 19,493	\$ 3,146,818



**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
C – NON-MAJOR SPECIAL REVENUE FUNDS**

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**June 30, 2006**

---

**Major Street Fund** – To account for the maintenance and replacement of all major streets within the City. Financing is provided by the distribution of Gas Tax proceeds.

**Local Street Fund** – To account for the maintenance and replacement of all local streets within the City. Financing is provided by distribution of Gas Tax proceeds.

**Ambulance Fund** – To account for the operations and maintenance of the city-owned ambulance. Financing is specified by City Charter as .5 mills of the general City millage.

**Act 302 Training Fund** – To account for the costs of training courses for the police department. Financing is provided by state grants.

**Solid Waste Fund** – To account for the collection, disposal and recycling of all residential and commercial waste within the City. Financing is provided by a separate tax millage.

**Grants Fund** – To account for the activity of the Community Development Block Grant Program and other Federal grants. Financing is provided by the Wayne County Economic Development Grant Program.

**911 Emergency Fund** – Fund established to account for monies expended to maintain and operate an emergency response system. Monies are received from the Ameritech Phone Company which levies a surcharge on all phone users within the community.

**Drug Enforcement Fund** – To account for officer training and purchase of equipment in the narcotics enforcement division. Activities are financed by monies and assets confiscated by the drug enforcement division.

**Parkway Beautification Fund** - To account for monies provided by donors to finance parkway beautification activities. This fund was reclassified to special revenue fund type at July 1, 2002.

**Cable Franchise Fund** – Established to invest the proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements. This fund was reclassified to special revenue fund type at July 1, 2002.

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	Major Street Fund	Local Street Fund	Ambulance Fund	Act 302 Training Fund	Solid Waste Fund	Grants Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 257,437	\$ 134,040	\$ 378,007	\$ 9,634	\$ 151,895	\$ 1,504
Due from other funds	-	500,000	-	-	-	-
Accounts receivable	54,996	21,896	1,044	-	29,535	6,000
Total assets	<u>\$ 312,433</u>	<u>\$ 655,936</u>	<u>\$ 379,051</u>	<u>\$ 9,634</u>	<u>\$ 181,430</u>	<u>\$ 7,504</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 186,164	\$ 615,349	\$ 5,606	\$ -	\$ 91,142	\$ -
Due to other funds	-	-	-	-	-	6,000
Total liabilities	<u>186,164</u>	<u>615,349</u>	<u>5,606</u>	<u>-</u>	<u>91,142</u>	<u>6,000</u>
<b>Fund balances</b>						
Reserved for community programs	-	-	-	-	-	-
Unreserved, designated for subsequent years programs	126,269	40,587	373,445	9,634	90,288	1,504
Total fund balances	<u>126,269</u>	<u>40,587</u>	<u>373,445</u>	<u>9,634</u>	<u>90,288</u>	<u>1,504</u>
Total liabilities and fund balances	<u>\$ 312,433</u>	<u>\$ 655,936</u>	<u>\$ 379,051</u>	<u>\$ 9,634</u>	<u>\$ 181,430</u>	<u>\$ 7,504</u>

continued

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	911 Emergency Service Fund	Drug Enforcement Fund	Parkway Beautification Fund	Cable Franchise Fund	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 33,406	\$ 11	\$ 192,707	\$ 2,828,582	\$ 3,987,223
Due from other funds	-	-	-	-	500,000
Accounts receivable	-	-	-	26,285	139,756
Total assets	<u>\$ 33,406</u>	<u>\$ 11</u>	<u>\$ 192,707</u>	<u>\$ 2,854,867</u>	<u>\$ 4,626,979</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 213	\$ -	\$ 1,754	\$ -	\$ 900,228
Due to other funds	-	-	-	594,747	600,747
Total liabilities	<u>213</u>	<u>-</u>	<u>1,754</u>	<u>594,747</u>	<u>1,500,975</u>
<b>Fund balances</b>					
Reserved for community programs	-	-	190,953	2,260,120	2,451,073
Unreserved, designated for subsequent years programs	33,193	11	-	-	674,931
Total fund balances	<u>33,193</u>	<u>11</u>	<u>190,953</u>	<u>2,260,120</u>	<u>3,126,004</u>
Total liabilities and fund balances	<u>\$ 33,406</u>	<u>\$ 11</u>	<u>\$ 192,707</u>	<u>\$ 2,854,867</u>	<u>\$ 4,626,979</u>

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	Major Street Fund			Local Street Fund			Ambulance Fund		
	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>									
Property taxes	\$ 700,000	\$ 656,119	\$ (43,881)	\$ 275,000	\$ 269,835	\$ (5,165)	\$ -	\$ -	\$ -
State-shared taxes	-	-	-	-	-	-	-	-	-
Federal financial assistance	41,000	53,470	12,470	193,000	100,492	(92,508)	115,000	182,507	67,507
Other revenues	741,000	709,589	(31,411)	468,000	370,327	(97,673)	115,000	182,507	67,507
<b>Total revenues</b>									
<b>Expenditures</b>									
Ambulance services	-	-	-	-	-	-	228,000	298,545	70,545
Public safety training	-	-	-	-	-	-	5,000	1,908	(3,092)
Street maintenance	1,012,000	1,134,889	122,889	2,275,000	2,131,445	(143,555)	-	24,115	24,115
Winter maintenance	20,000	10,925	(9,075)	34,000	9,839	(24,161)	-	-	-
Administration and maintenance	328,000	321,885	(6,115)	419,000	432,750	13,750	150,000	136,320	(13,680)
Solid waste/recycling services	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	12,000	12,000	-
Contractual services	-	-	-	-	-	-	-	-	-
Charges from Internal Service Funds	10,000	10,000	-	12,000	12,000	-	55,000	55,000	-
for use of equipment and supplies	1,370,000	1,477,699	107,699	2,740,000	2,586,034	(153,966)	450,000	527,888	77,888
<b>Total expenditures</b>									
Revenues over (under) expenditures	(629,000)	(768,110)	(139,110)	(2,272,000)	(2,215,707)	56,293	(335,000)	(345,381)	(10,381)
<b>Other financing sources (uses)</b>									
Transfers in	369,000	369,000	-	2,772,000	2,585,000	(187,000)	305,000	294,122	(10,878)
Transfers out	-	-	-	(350,000)	(350,000)	-	-	-	-
<b>Total revenues and other financing sources (uses)</b>									
Total revenues and other financing sources over (under) expenditures	369,000	369,000	-	2,422,000	2,235,000	(187,000)	305,000	294,122	(10,878)
<b>Revenues and other financing sources over (under) expenditures</b>									
	(260,000)	(399,110)	(139,110)	150,000	19,293	(130,707)	(30,000)	(51,259)	(21,259)
<b>Fund balances</b>									
Beginning of year	(111,000)	525,379	636,379	(300,000)	21,294	321,294	9,000	424,704	415,704
End of year	\$ (371,000)	\$ 126,269	\$ 497,269	\$ (150,000)	\$ 40,587	\$ 190,587	\$ (21,000)	\$ 373,445	\$ 394,445

continued

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	Act 302 Training Fund			Solid Waste			Grant Fund		
	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>									
Property taxes	\$ 8,500	\$ 9,323	\$ 823	\$ 1,503,000	\$ 1,357,757	\$ (145,243)	\$ -	\$ -	\$ -
State-shared taxes	-	-	-	-	-	-	-	-	-
Federal financial assistance	-	-	-	-	-	-	-	-	-
Other revenues	500	1,580	1,080	2,000	25,614	23,614	94,000	41,464	(52,536)
Total revenues	9,000	10,904	1,904	1,505,000	1,383,371	(121,629)	94,000	41,578	(52,422)
<b>Expenditures</b>									
Ambulance services	-	-	-	-	-	-	-	-	-
Public safety training	9,000	5,959	(3,041)	-	-	-	-	-	-
Street maintenance	-	-	-	-	-	-	-	-	-
Winter maintenance	-	-	-	-	-	-	-	-	-
Administration and maintenance	-	-	-	-	-	-	-	-	-
Solid waste/recycling services	-	-	-	1,345,000	1,352,824	7,824	-	-	-
Other	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-	94,000	41,852	(52,148)
Charges from Internal Service Funds	-	-	-	-	-	-	-	-	-
for use of equipment and supplies	-	-	-	-	-	-	-	-	-
Total expenditures	9,000	5,959	(3,041)	1,470,000	1,477,824	7,824	94,000	41,852	(52,148)
Revenues over (under) expenditures	-	4,945	4,945	35,000	(94,453)	(129,453)	-	(274)	(274)
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(85,000)	(85,000)	-	-	-	-
Total revenues and other financing sources (uses)	-	-	-	(85,000)	(85,000)	-	-	-	-
Revenues and other financing sources over (under) expenditures	-	4,945	4,945	(50,000)	(179,453)	(129,453)	-	(274)	(274)
<b>Fund balances</b>									
Beginning of year	(6,189)	4,689	10,878	294,204	269,741	(24,463)	1,406	1,778	372
End of year	\$ (6,189)	\$ 9,634	\$ 15,823	\$ 244,204	\$ 90,288	\$ (153,916)	\$ 1,406	\$ 1,504	\$ 98

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	911 Emergency Service			Drug Enforcement		
	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State-shared taxes	-	-	-	-	-	-
Federal financial assistance	-	-	-	-	-	-
Other revenues	90,000	83,337	(6,663)	1,000	131	(869)
Total revenues	90,000	83,337	(6,663)	1,000	131	(869)
<b>Expenditures</b>						
Ambulance services	-	-	-	-	-	-
Public safety training	-	-	-	-	-	-
Street maintenance	-	-	-	-	-	-
Winter maintenance	-	-	-	-	-	-
Administration and maintenance	-	-	-	-	-	-
Solid waste/recycling services	-	-	-	-	-	-
Other	74,000	99,343	25,343	2,000	4,348	2,348
Contractual services	-	-	-	-	-	-
Charges from Internal Service Funds	16,000	16,000	-	-	-	-
for use of equipment and supplies	90,000	115,343	25,343	2,000	4,348	2,348
Total expenditures	-	(32,006)	(32,006)	(1,000)	(4,217)	(3,217)
Revenues over (under) expenditures						
Other financing sources (uses)	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total revenues and other financing sources (uses)	-	-	-	-	-	-
Revenues and other financing sources over (under) expenditures	-	(32,006)	(32,006)	(1,000)	(4,217)	(3,217)
<b>Fund balances</b>						
Beginning of year	53,505	65,200	11,695	4,198	4,228	30
End of year	\$ 53,505	\$ 33,194	\$ (20,311)	\$ 3,198	\$ 11	\$ (3,187)

continued

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	Total Budgeted Special Revenue Funds			Funds Not Annually Budgeted		
	Budget	Actual	Actual (Under) Budget	Parkway Beautification Fund	Cable Franchise Fund	Totals
<b>Revenues</b>						
Property taxes	\$ 1,511,500	\$ 1,367,080	\$ (144,420)	\$ -	\$ -	\$ 1,367,080
State-shared taxes	975,000	925,954	(49,046)	-	-	925,954
Federal financial assistance	94,000	41,464	(52,536)	-	-	41,464
Donations	-	-	-	97,251	-	97,251
Expenditures	-	-	-	-	-	-
Other revenues	442,500	447,246	4,746	-	128,789	576,035
<b>Total revenues</b>	<b>3,023,000</b>	<b>2,781,744</b>	<b>(241,256)</b>	<b>97,251</b>	<b>128,789</b>	<b>3,007,784</b>
<b>Expenditures</b>						
Ambulance services	228,000	298,545	70,545	-	-	298,545
Public safety training	14,000	7,867	(6,133)	-	-	7,867
Street maintenance	3,287,000	3,290,449	3,449	-	-	3,290,449
Winter maintenance	54,000	20,764	(33,236)	-	-	20,764
Administration and maintenance	897,000	890,955	(6,045)	-	-	890,955
Solid waste/recycling services	1,345,000	1,352,824	7,824	-	-	1,352,824
Other	88,000	115,691	27,691	75,031	-	190,722
Contractual services	94,000	41,852	(52,148)	-	9,119	50,971
Charges from Internal Service Funds for use of equipment and supplies	218,000	218,000	-	-	-	218,000
<b>Total expenditures</b>	<b>6,225,000</b>	<b>6,236,947</b>	<b>11,947</b>	<b>75,031</b>	<b>9,119</b>	<b>6,321,097</b>
<b>Revenues over (under) expenditures</b>	<b>(3,202,000)</b>	<b>(3,455,203)</b>	<b>(253,203)</b>	<b>22,220</b>	<b>119,670</b>	<b>(3,313,313)</b>
<b>Other financing sources (uses)</b>						
Transfers in	3,446,000	3,248,122	(197,878)	-	430,000	3,678,122
Transfers out	(435,000)	(435,000)	-	-	(724,747)	(1,159,747)
<b>Total revenues and other financing sources (uses)</b>	<b>3,011,000</b>	<b>2,813,122</b>	<b>(197,878)</b>	<b>-</b>	<b>(294,747)</b>	<b>2,518,375</b>
<b>Revenues and other financing sources over (under) expenditures</b>	<b>(191,000)</b>	<b>(642,081)</b>	<b>(451,081)</b>	<b>22,220</b>	<b>(175,077)</b>	<b>(794,938)</b>
<b>Fund balances</b>						
Beginning of year	(99,777)	1,317,013	1,416,790	168,733	2,435,197	3,920,943
End of year	\$ (290,777)	\$ 674,932	\$ 965,709	\$ 190,953	\$ 2,260,120	\$ 3,126,005
						continued

continued



**City of Grosse Pointe Woods, Michigan**  
**Non-Major Special Revenue Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	2005 Park Refunding Bond (Nonmajor)			Totals		
	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-
Other revenues	-	30	30	-	30	30
Total revenues	-	30	30	-	30	30
<b>Expenditures</b>						
Bond and debt retirements	405,000	405,000	-	405,000	405,000	-
Interest and paying agent fees	55,000	53,725	(1,275)	55,000	53,725	(1,275)
Drain assessment	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-
Internal service charges	-	-	-	-	-	-
Debt service principal	-	-	-	-	-	-
Total expenditures	460,000	458,725	(1,275)	460,000	458,725	(1,275)
Revenues under expenditures	(460,000)	(458,695)	1,305	(460,000)	(458,695)	1,305
<b>Other financing sources (uses)</b>						
Bond proceeds	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Transfers in	460,000	460,000	-	460,000	460,000	-
Total revenues and other financing sources (uses)	460,000	460,000	-	460,000	460,000	-
Revenues and other financing sources over (under) expenditures	-	1,305	1,305	-	1,305	1,305
<b>Fund balances</b>						
Beginning of year	-	15	15	-	15	15
End of year	\$ -	\$ 1,320	\$ 1,320	\$ -	\$ 1,320	\$ 1,320

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
D – DEBT SERVICE FUNDS**

## **City of Grosse Pointe Woods, Michigan**

### **Debt Service Funds**

---

#### **Major Debt Service Fund**

***Grosse Gratiot Drain*** - To accumulate resources for payment of the Grosse Gratiot Drain improvements financed by issuance of debt.

#### **Non Major Debt Service Fund**

***2004 Park Refunding Bond*** – To account for monies below to refund the existing 1997 Recreation Bond in October 2004.

**City of Grosse Pointe Woods, Michigan**  
**Major Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	Major Fund Grosse Gratiot Drain Fund		
	Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>			
Interest income	\$ -	\$ -	\$ -
Property taxes	3,475,000	3,472,294	(2,706)
Other revenues	10,000	4,791	(5,209)
Total revenues	3,485,000	3,477,085	(7,915)
<b>Expenditures</b>			
Bond and debt retirements	270,000	217,509	(52,491)
Interest and paying agent fees	1,085,000	1,083,079	(1,921)
Drain assessment	35,000	26,875	(8,125)
Contractual services	10,000	10,000	-
Internal service charges	1,005,000	1,001,272	(3,728)
Debt service principal	2,405,000	2,338,735	(66,265)
Total expenditures	1,080,000	1,138,350	58,350
Revenues over expenditures			
<b>Other financing sources (uses)</b>			
Bond proceeds	-	-	-
Transfers out	(1,080,000)	(1,080,000)	-
Transfers in	-	-	-
Total revenues and other financing sources (uses)	(1,080,000)	(1,080,000)	-
Revenues and other financing sources over (under) expenditures	-	58,350	58,350
<b>Fund balances</b>			
Beginning of year	1,513,557	1,509,853	(3,704)
End of year	\$ 1,513,557	\$ 1,568,203	\$ 54,646

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

---

	<b>2005 Park Refunding Bond</b>	<b>Totals</b>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 1,320</u>	<u>\$ 1,320</u>
<b>Fund balances</b>		
Reserve for debt service	<u>\$ 1,320</u>	<u>\$ 1,320</u>
Total liabilities and fund balance	<u>\$ 1,320</u>	<u>\$ 1,320</u>

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

	2005 Park Refunding Bond (Nonmajor)			Totals		
	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget
<b>Revenues</b>						
Interest income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-	-	-
Other revenues	-	30	30	-	30	30
Total revenues	-	30	30	-	30	30
<b>Expenditures</b>						
Bond and debt retirements	405,000	405,000	-	405,000	405,000	-
Interest and paying agent fees	55,000	53,725	(1,275)	55,000	53,725	(1,275)
Drain assessment	-	-	-	-	-	-
Contractual services	-	-	-	-	-	-
Internal service charges	-	-	-	-	-	-
Debt service principal	-	-	-	-	-	-
Total expenditures	460,000	458,725	(1,275)	460,000	458,725	(1,275)
Revenues under expenditures	(460,000)	(458,695)	1,305	(460,000)	(458,695)	1,305
<b>Other financing sources (uses)</b>						
Bond proceeds	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Transfers in	460,000	460,000	-	460,000	460,000	-
Total revenues and other financing sources (uses)	460,000	460,000	-	460,000	460,000	-
Revenues and other financing sources over (under) expenditures	-	1,305	1,305	-	1,305	1,305
<b>Fund balances</b>						
Beginning of year	-	15	15	-	15	15
End of year	\$ -	\$ 1,320	\$ 1,320	\$ -	\$ 1,320	\$ 1,320

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
E – NON-MAJOR CAPITAL PROJECTS FUNDS**

## **City of Grosse Pointe Woods, Michigan**

### **Non-Major Capital Projects Funds**

---

**Municipal Improvement Fund** – To account for the financing and construction of various municipal improvements. Financing is provided by installment notes, and/or transfers from other funds.



**City of Grosse Pointe Woods, Michigan**  
**Non-Major Capital Projects Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

---

	<b>Municipal Improvement Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 105,774
Due from other funds	19,747
Total assets	<u>125,521</u>
<b>Liabilities and Equity</b>	
<b>Liabilities</b>	
Accounts payable	6,028
Due to other funds	100,000
Total liabilities	<u>106,028</u>
<b>Fund balances</b>	
Fund balances, reserved for capital programs	19,493
Total liabilities and fund balance	<u>\$ 125,521</u>

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Capital Projects Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget Versus Actual**  
**Year Ended June 30, 2006**

---

	<b>Municipal Improvement Fund</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>
<b>Revenues</b>			
Interest income	\$ 5,000	\$ -	\$ (5,000)
Other revenues	45,000	55,147	10,147
Total revenues	50,000	55,147	5,147
Expenditures, municipal improvements	360,000	393,476	33,476
Revenues under expenditures	(310,000)	(338,329)	(28,329)
<b>Other financing sources</b>			
Transfers in	290,000	219,747	(70,253)
Transfers out	-	-	-
Total other financing sources (uses)	290,000	219,747	(70,253)
Revenues and other financing sources over (under) expenditures	(20,000)	(118,582)	(98,582)
<b>Fund balances</b>			
Beginning of year	72,333	138,075	65,742
End of year	\$ 52,333	\$ 19,493	\$ (32,840)

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
F – NON-MAJOR ENTERPRISE FUNDS**

## **City of Grosse Pointe Woods, Michigan**

### **Non-Major Enterprise Funds**

---

**Parking Meter Utility Fund** - To account for the City's parking meters and costs associated with maintaining the meters. Funding is provided for through parking meter fees and violation fines.

**Boat Dock Rental Fund** - To account for boat dock rental units that are available to the citizens of Grosse Pointe Woods on an annual basis. Boat launch ramps and other water craft maintenance services are also available.

**Commodity Sales Fund** - To record the purchases and sale of rubbish bags and other miscellaneous items that the municipality holds for resale.

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Enterprise Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	<b>Parking Utility Fund</b>	<b>Boat Dock Rental Fund</b>	<b>Commodity Sales Fund</b>	<b>Totals</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 6,143	\$ 74,673	\$ 107,024	\$ 187,840
Accrued interest receivable	-	-	128	128
Prepaid expenses	-	-	11,347	11,347
Total current assets	6,143	74,673	118,499	199,315
Fixed assets, at cost	1,130,966	403,624	-	1,534,590
Less: Accumulated depreciation	(787,223)	(312,581)	-	(1,099,804)
	343,743	91,043	-	434,786
Total assets	<u>\$ 349,886</u>	<u>\$ 165,716</u>	<u>\$ 118,499</u>	<u>\$ 634,101</u>
<b>Liabilities and Equity</b>				
Accounts payable	\$ 2,037	\$ 712	\$ -	\$ 2,749
Total current liabilities	2,037	712	-	2,749
<b>Net assets</b>				
Investment in capital assets	343,743	91,043	-	434,786
Unrestricted	4,106	73,961	118,499	196,566
Total net assets	<u>\$ 347,849</u>	<u>\$ 165,004</u>	<u>\$ 118,499</u>	<u>\$ 631,352</u>

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2006**

	<b>Parking Utility Fund</b>	<b>Boat Dock Rental Fund</b>	<b>Commodity Sales Fund</b>	<b>Totals</b>
<b>Operating revenues</b>				
Parking collections	\$ 162,658	\$ -	\$ -	\$ 162,658
Violations	111,789	-	-	111,789
Dockings and launching fees	-	173,153	-	173,153
Commodity sales	-	-	62,306	62,306
Other income	114	-	28	142
Total operating revenues	<u>274,561</u>	<u>173,153</u>	<u>62,334</u>	<u>510,048</u>
<b>Operating expenses</b>				
Operation and maintenance	166,692	170,077	71,104	407,873
Administration	85,981	-	-	85,981
Depreciation	37,219	6,095	-	43,314
Charges for Internal Service Fund for use of equipment and supplies	17,000	20,000	10,000	47,000
Payment in lieu of taxes	25,000	-	-	25,000
Total operating expenses	<u>331,892</u>	<u>196,172</u>	<u>81,104</u>	<u>609,168</u>
Operating income (loss)	<u>(57,331)</u>	<u>(23,019)</u>	<u>(18,770)</u>	<u>(99,120)</u>
<b>Nonoperating revenues</b>				
Investment income	1,542	1,814	4,192	7,548
Transfers out	(22,750)	-	(10,000)	(32,750)
Net loss	<u>(78,539)</u>	<u>(21,205)</u>	<u>(24,578)</u>	<u>(124,322)</u>
<b>Net assets</b>				
Beginning of year	426,388	186,208	143,077	755,673
End of year	<u>\$ 347,849</u>	<u>\$ 165,003</u>	<u>\$ 118,499</u>	<u>\$ 631,351</u>

**City of Grosse Pointe Woods, Michigan**  
**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2006**

	<b>Parking Utility Fund</b>	<b>Boat Dock Rental Fund</b>	<b>Commodity Sales Fund</b>	<b>Totals</b>
<b>Cash flows used in operating activities</b>				
Cash received from customers	\$ 274,561	\$ 173,153	\$ 62,206	\$ 509,920
Cash payment to suppliers	(208,618)	(27,687)	(72,464)	(308,769)
Cash payments to employees	(85,981)	(162,502)	-	(248,483)
Net cash used in operating activities	(20,038)	(17,036)	(10,258)	(47,332)
<b>Cash flows from capital financing activities and related financing activities</b>				
Transfers out	(22,750)	-	(10,000)	(32,750)
Net cash used in capital financing activities and related financing activities	(22,750)	-	(10,000)	(32,750)
<b>Cash flows provided by investing activities</b>				
Interest and dividends on investments	1,542	1,814	4,192	7,548
Net decrease in cash and cash equivalents	(41,246)	(15,222)	(16,066)	(72,534)
<b>Cash and cash equivalents</b>				
Beginning of year	47,389	89,894	123,090	260,373
End of year	\$ 6,143	\$ 74,672	\$ 107,024	\$ 187,839
Operating income (loss)	\$ (57,331)	\$ (23,019)	\$ (18,770)	\$ (99,120)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	37,219	6,095	-	43,314
Changes in				
Accounts payable	1,157	(112)	(128)	917
Due to other funds	(1,083)	-	(17,640)	(18,723)
Deferred revenues	-	-	26,280	26,280
Total adjustments	37,293	5,983	8,512	51,788
Net cash used in operating activities	(20,038)	(17,036)	(10,258)	(47,332)

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
G –INTERNAL SERVICE FUNDS**



## **City of Grosse Pointe Woods, Michigan**

### **Internal Service Funds**

---

**Motor Vehicle Fund** - To account for vehicles owned and operated by the City and for the costs of maintaining the vehicles. All departments using city-owned vehicles are billed for costs incurred. Actual costs of this fund include depreciation, improvements and purchases of new vehicles, as well as building and equipment costs related to vehicle maintenance and improvements.

**Building Authority Fund** - Accounts for capital expenditures and the payment of principal and interest in relation to a 1993 Revenue Bond issue to finance construction of City-wide parking facilities.

**Workers Compensation Fund** - A fund created to identify all costs associated in operating a self insured workmen's compensation fund. Funds are accumulated via transfers from other governmental and proprietary fund types and interest made on surplus earnings.

**Management Information Systems Fund** - A fund to account for the maintenance and operation of the City computer and communication network system. Funds are accumulated via transfers from other fund users.

**City of Grosse Pointe Woods, Michigan**  
**Internal Service Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

	Motor Vehicle Fund	Building Authority Fund	Workers Compensation Fund	Management Information System	Totals
<b>Assets</b>					
Cash and cash equivalents	\$ 471,573	\$ -	\$ 776,193	\$ 15,567	\$ 1,263,333
Accrued interest receivable	5,283	-	6,459	-	11,742
Total current assets	476,856	-	782,652	15,567	1,275,075
Capital assets	3,824,982	-	-	114,039	3,939,021
Less: Accumulated depreciation	(2,574,472)	-	-	(66,912)	(2,641,384)
Total noncurrent assets	1,250,510	-	-	47,127	1,297,637
Total assets	\$1,727,366	\$ -	\$ 782,652	\$ 62,694	\$ 2,572,712
<b>Liabilities and Equity</b>					
Liabilities					
Accounts payable	\$ 4,427	\$ -	\$ 4,635	\$ 694	\$ 9,756
Claims reserve	-	-	100,000	-	100,000
Accrued wages	4,033	-	-	-	4,033
Total liabilities	8,460	-	104,635	694	113,789
Net assets (deficit)					
Investment in capital assets	1,250,510	-	-	47,127	1,297,637
Unrestricted	468,396	-	678,017	14,873	1,161,286
Total net assets (deficit)	\$1,718,906	\$ -	\$ 678,017	\$ 62,000	\$ 2,458,923

**City of Grosse Pointe Woods, Michigan**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2006**

	<b>Motor Vehicle Fund</b>	<b>Building Authority Fund</b>	<b>Workers Compensation Fund</b>	<b>Management Information System</b>	<b>Totals</b>
Revenues, billings to other funds	\$ 735,000	\$ -	\$ 160,500	\$ 261,000	\$ 1,156,500
Other income	1,453	45,374	-	-	46,827
<b>Total operating revenue</b>	<b>736,453</b>	<b>45,374</b>	<b>160,500</b>	<b>261,000</b>	<b>1,203,327</b>
<b>Operating expense</b>					
Vehicle operation and maintenance	444,285	-	91,600	-	535,885
Administration	106,649	-	-	338,366	445,015
Depreciation	289,070	-	-	16,221	305,291
Insurance expense	10,000	-	19,170	-	29,170
Charges to Internal Service Fund	15,000	-	11,000	-	26,000
<b>Total operating expenses</b>	<b>865,004</b>	<b>-</b>	<b>121,770</b>	<b>354,587</b>	<b>1,341,361</b>
<b>Operating income (loss)</b>	<b>(128,551)</b>	<b>45,374</b>	<b>38,730</b>	<b>(93,587)</b>	<b>(138,034)</b>
<b>Nonoperating revenue (expense)</b>					
Gain (loss) from sale/disposal of capital assets	32,996	-	-	-	32,996
Interest income	17,847	4	28,912	882	47,645
<b>Total nonoperating revenues (expenses)</b>	<b>50,843</b>	<b>4</b>	<b>28,912</b>	<b>882</b>	<b>80,641</b>
<b>Net income (loss)</b>	<b>(77,708)</b>	<b>45,378</b>	<b>67,642</b>	<b>(92,705)</b>	<b>(57,393)</b>
<b>Net assets (deficit)</b>					
Beginning of year	1,796,614	(45,378)	610,375	154,705	2,516,316
End of year	\$ 1,718,906	\$ -	\$ 678,017	\$ 62,000	\$ 2,458,923

**City of Grosse Pointe Woods, Michigan**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2006**

	<b>Motor Vehicle Fund</b>	<b>Building Authority Fund</b>	<b>Workers Compensation Fund</b>	<b>Management Information System</b>	<b>Totals</b>
<b>Cash flows used in operating activities</b>					
Cash received from interfund services/loans	\$ 734,817	\$ 45,374	\$ 262,493	\$ 261,000	\$ 1,303,684
Cash payments/loans	-	(45,500)	-	-	(45,500)
Cash payments to suppliers	(585,610)	-	(185,949)	(339,653)	(1,111,212)
Net cash provided by (used in) operating activities	149,207	(126)	76,544	(78,653)	146,972
<b>Cash flows from capital financing activities and related financing activities</b>					
Acquisition and construction of capital assets	58,354	-	-	(27,174)	31,180
Disposition/sale of capital assets	(198,221)	-	-	4,862	(193,359)
Net cash used for capital and related financing activities	(139,867)	-	-	(22,312)	(162,179)
<b>Cash flows provided by investing activities</b>					
Interest and dividends on investments	17,847	4	28,912	882	47,645
Net increase (decrease) in cash and cash equivalents	27,187	(122)	105,456	(100,083)	32,438
<b>Cash and cash equivalents</b>					
Beginning of year	444,386	122	670,737	115,650	1,230,895
End of year	\$ 471,573	\$ -	\$ 776,193	\$ 15,567	\$ 1,263,333
Operating income (loss)	\$ (128,551)	\$ 45,374	\$ 38,730	\$ (93,587)	\$ (138,034)
Adjustments to reconcile operating income to (loss) net cash provided by operating activities					
Depreciation	289,070	-	-	16,221	305,291
Changes in					
Account receivables	(1,636)	-	-	-	(1,636)
Accrued wages	-	-	101,993	-	101,993
Accounts payable	(7,593)	(45,500)	(17,679)	(454)	(71,226)
Due to other funds	(2,083)	-	(46,500)	(833)	(49,416)
Total adjustments	277,758	(45,500)	37,814	14,934	285,006
Net cash provided by (used in) operating activities	149,207	(126)	76,544	(78,653)	146,972

**SECTION II – FINANCIAL SECTION –  
SUPPLEMENTAL FINANCIAL DATA  
H – PENSION AND AGENCY FUNDS  
(and other Postemployment Benefit)  
TRUST FUNDS AND AGENCY FUNDS**

**City of Grosse Pointe Woods, Michigan**  
**Combining Schedule of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2006**

	<b>Pension Fund</b>	<b>Supplementary Annuity Fund</b>	<b>Retiree Health Care</b>	<b>Totals June 30, 2006</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,183,857	\$ -	\$ 168,318	\$ 1,352,175
Due from other funds	35,132	-		35,132
Investments, at fair value				
U.S. government obligations	8,090,817	717,841	34,320	8,842,978
Corporate bonds	819,004	-	21,187	840,191
Stocks	23,107,378	-	87,898	23,195,276
Accrued interest receivable	120,789	-	724	121,513
Total assets	<u>\$ 33,356,977</u>	<u>\$ 717,841</u>	<u>\$ 312,447</u>	<u>\$ 34,387,265</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 7,429	\$ -	\$ -	7,429
Due to other funds	198,145	-	-	198,145
Total liabilities	<u>205,574</u>	<u>-</u>	<u>-</u>	<u>205,574</u>
Net assets held in trust for pension benefits	33,151,403	-	312,447	33,463,850
Reserved for supplemental annuity	-	717,841	-	717,841
Total net assets	<u>33,151,403</u>	<u>717,841</u>	<u>312,447</u>	<u>34,181,691</u>
Total liabilities and net assets	<u>\$ 33,356,977</u>	<u>\$ 717,841</u>	<u>\$ 312,447</u>	<u>\$ 34,387,265</u>

**City of Grosse Pointe Woods, Michigan**  
**Pension (and Other Postemployment Benefit) Trust Funds**  
**Combining Statement of Changes in Net Assets**  
**Year Ended June 30, 2006**

	<b>Pension Fund</b>	<b>Supplementary Annuity Fund</b>	<b>Retiree Health Care</b>	<b>Totals</b>
<b>Additions</b>				
Investment income (loss)				
Net appreciation (depreciation) in fair value of investments	\$ 3,261,374	\$ -	\$ 1,101	\$ 3,262,475
Interest and dividends	-	33,414	3,973	37,387
Total investment income (loss)	3,261,374	33,414	5,074	3,299,862
Contributions				
Employer	1,220,333	292,000	158,911	1,671,244
Employee	170,775	-	-	170,775
Total additions	4,652,482	325,414	163,985	5,141,881
<b>Deductions</b>				
Employee refunds	110,701	-	-	110,701
Pension payments	1,855,921	221,790	-	2,077,711
Health care benefit payments	933,298	4,566	-	937,864
Administrative fee	266,435	-	-	266,435
Total deductions	3,166,355	226,356	-	3,392,711
Net increase (decrease)	1,486,127	99,058	163,985	1,749,170
<b>Net assets held in trust for pension benefits</b>				
Beginning of year	31,665,276	618,783	148,462	32,432,521
End of year	\$ 33,151,403	\$ 717,841	\$ 312,447	\$ 34,181,691

**City of Grosse Pointe Woods, Michigan**  
**Agency Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

---

	<b>Wayne County Tax Fund</b>	<b>Cash Bond Escrow Fund</b>	<b>Totals June 30, 2005 Actual</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,762	\$ 24,590	\$ 28,352
Total assets	<u>\$ 3,762</u>	<u>\$ 24,590</u>	<u>\$ 28,352</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ 3,762	\$ -	\$ 3,762
Court bonds payable	-	24,590	24,590
Total liabilities	<u>\$ 3,762</u>	<u>\$ 24,590</u>	<u>\$ 28,352</u>



**City of Grosse Pointe Woods, Michigan**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds – Agency Funds**  
**Year Ended June 30, 2006**

---

	Balance July , 2005	Additions	Deductions	Balance June 30, 2006
<b>Total - All Agency Funds</b>				
Assets				
Cash and investments	<u>\$ 14,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,853</u>
Liabilities				
Accounts payable	<u>\$ 14,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,853</u>

**CITY OF GROSSE POINTE WOODS, MICHIGAN**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2006**

**SECTION III – STATISTICAL SECTION (UNAUDITED)  
(CONTINUAL DISCLOSURE UNDERTAKING)**

**City of Grosse Pointe Woods, Michigan**  
**Economic Condition Reporting**  
**Statistical Section**  
**June 30, 2006**

---

In accordance with the rules of the United States Securities and Exchange Commission Continual Disclosure Undertaking is executed and presented by the City of Grosse Pointe Woods, County of Wayne, State of Michigan, in connection with the issuance of the 1997 General Obligation Unlimited Tax Park Bonds issued by the City March 1, 1997 and refunded October, 2004 and with its 1993 and 2003 Water/Sewer Revenue Bonds. It is the responsibility of the City Comptroller to ensure that the City of Grosse Pointe Woods remains in strict compliance with the Disclosure Undertakings.

The City, in accordance with Rule 15c 2-12 promulgated by the S.E.C. pursuant to the Securities and Exchange Act of 1934, must provide to each member of the Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and to the State Information Depository ("SID") for the State of Michigan on or before the last day of the sixth month after the end of the City's fiscal year, certain financial and operating data commencing with the fiscal year ended June 30, 2006.

It is the City's belief that the following detailed financial information as well as the data shown in its annual report provides to its bond holders the necessary information needed to assess and evaluate the financial condition of the City and its ability to meet its fiscal obligations.

**City of Grosse Pointe Woods, Michigan**  
**Assessed Valuation History**  
**June 30, 2006**  
(unaudited)

Fiscal Year Ended June 30	Real Property Taxable Valuation	Personal Property Taxable Valuation	Total Local Taxable Valuation	Total State Equalized Valuation
1997	560,229,860	11,380,860	571,610,720	579,620,260
1998	577,743,030	12,174,960	589,917,990	606,775,600
1999	597,907,410	12,392,215	610,299,625	652,785,105
2000	617,227,380	13,159,500	630,386,880	713,845,380
2001	639,250,690	13,525,090	652,775,780	793,816,390
2002	672,987,750	15,465,720	688,453,470	896,356,880
2003	708,543,669	15,026,910	723,570,579	955,287,190
2004	732,819,820	14,499,672	747,319,492	974,814,898
2005	761,202,050	17,722,500	778,924,550	1,003,751,300
2006	793,672,810	19,519,000	813,191,810	1,028,712,121

Source: *Comptroller's Office*

# City of Grosse Pointe Woods, Michigan Tax Rate and Tax Levy History June 30, 2006 (unaudited)

Fiscal Year Ended June 30	City	Schools	Special Education	County	H.C.M.A.	Community College	Milk River Drain	Total
	TAX RATES (per \$1,000 State Equalized Valuation)							
1997	12.29	14.16 (1)	2.00	8.26	.22	1.20	4.94	43.07
1998	12.59 (3)	15.06 (1)	2.00	8.26	.22	1.20	4.81	44.14
1999	13.19	15.09 (1)	2.00	8.26	.22	1.15	4.38	44.29
2000	13.03	31.73	1.99	8.24	.22	1.02	3.78	60.01
2001	13.03	32.75	1.98	8.18	.22	1.00	3.51	60.67
2002	13.03	14.77	1.98	8.19	.22	2.50	3.46	44.15
2003	13.03	15.34	3.46	8.42	.22	2.49	3.51	46.47
2004	13.03 (3)	16.13	3.46	8.42	.22	2.49	3.54	47.29
2005	12.99	16.74	3.46	8.42	.22	2.48	3.57	47.88
2006	12.99	16.05	3.46	8.42	.22	2.48	4.27	47.89
ADJUSTED TAX LEVIES								
1997	7,027,382	9,433,952 (2)	1,141,564	4,551,165	127,812	587,019	2,751,963	25,620,857
1998	7,424,807 (3)	9,614,104 (2)	1,178,048	4,871,818	131,897	702,723	2,839,916	26,763,313
1999	8,052,476	9,927,156	1,218,830	5,040,465	136,402	701,173	2,670,061	27,746,563
2000	8,217,125	10,185,251 (2)	1,255,352	5,191,488	139,820	642,364	2,382,799	28,014,199
2001	8,507,457	10,578,089 (2)	1,291,742	5,341,975	143,705	652,776	2,291,169	28,806,913
2002	8,967,268	11,027,981	1,359,865	5,625,827	150,459	1,720,753	2,381,982	31,234,135
2003	9,424,688	12,020,205	2,506,629	6,093,776	156,979	1,798,905	2,539,697	34,540,879
2004	9,733,992	11,851,078	2,588,902	6,292,284	161,959	1,857,949	2,645,476	35,131,640
2005	10,118,230	12,398,764	2,695,079	6,558,545	167,744	1,935,123	2,621,822	36,495,307
2006	10,562,863	9,443,092	2,817,104	6,846,893	174,475	2,014,158	3,472,294	35,330,879

Note: All tax rates are expressed in dollars per \$1,000 of taxable valuation. City tax rate limit is set by City Charter, Section 9.1, at \$20 per \$1,000 of taxable value. However, Headlee Act of 1978 has reduced the 20 mills to 14.2040 mills in 2005.

- (1) This tax rate is for those people who claim a homestead exemption within the City of Grosse Pointe Woods. Non-Residents pay a different millage rate in compliance with Public Act 415 - 1994 (Proposal A).
- (2) This total includes all amounts collected regardless of where an individual claims their homestead to be. (Footnote #1)
- (3) City rate includes General operating, Solid Waste and Ambulance Fund Levies.

Source: Comptroller's Office

**City of Grosse Pointe Woods, Michigan**  
**City Tax Collection History**  
**June 30, 2006**  
(unaudited)

Fiscal Year Ended June 30	Property Tax Levy	Current Tax Collections	Percent Collected Current	Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections to Levy
1997	7,027,382	6,908,218	98.30	102,843	7,011,061	99.77
1998	7,424,807	7,292,133	98.21	111,221	7,403,354	99.71
1999	8,052,476	7,916,991	98.32	121,774	8,038,765	99.83
2000	8,217,125	8,110,399	98.70	119,738	8,230,137	100.16
2001	8,507,457	8,382,986	98.54	106,726	8,489,712	99.79
2002	8,967,268	8,811,241	98.26	124,227	8,935,468	99.65
2003	9,424,688	9,271,188	98.37	141,892	9,413,080	99.88
2004	9,733,992	9,577,119	98.39	153,500	9,730,619	99.97
2005	10,118,230	9,911,018	97.95	176,879	10,087,891	99.70
2006	10,560,863	10,352,844	98.03	158,699	10,511,543	99.53

Source: Comptroller's Office

**City of Grosse Pointe Woods, Michigan**  
**Grosse-Gratiot Drain Tax Collection History**  
**June 30, 2006**  
(unaudited)

Fiscal Year Ended June 30	Drain Tax Levy	Current Tax Collections	Percent Collected Current	Delinquent Tax Collections	Total Tax Collections	Percent of Total Collections to Levy
1997	2,751,963	2,667,344	96.93	73,620	2,740,964	99.60
1998	2,839,916	2,750,397	96.85	83,350	2,833,747	99.78
1999	2,670,060	2,588,990	96.96	88,660	2,677,650	100.28
2000	2,382,799	2,316,003	97.20	86,357	2,402,360	100.82
2001	2,291,169	2,204,369	96.21	66,796	2,271,165	99.13
2002	2,381,982	2,298,036	96.48	86,880	2,384,916	100.12
2003	2,539,697	2,426,907	95.56	76,800	2,503,707	98.58
2004	2,645,476	2,547,782	96.31	112,790	2,660,572	100.57
2005	2,621,822	2,512,341	95.82	97,694	2,610,035	99.55
2006	3,472,294	3,307,552	95.26	164,742	3,448,481	99.31

Source: Comptroller's Office

**City of Grosse Pointe Woods, Michigan**  
**General Bonded Debt History**  
**June 30, 2006**  
(unaudited)

Fiscal Year Ended June 30	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bonds Outstanding	Percent Debt to Assessed Value	Debt Per Capita
1997	\$ 17,715	\$ 571,610,720	\$ 21,482,229	3.76	1,212.66
1998	17,715	589,917,990	20,044,431	3.40	1,131.49
1999	17,715	610,299,625	18,850,458	3.09	1,064.10
2000	17,215	630,386,880	17,366,337	2.75	953.41
2001	17,080 (1)	652,775,780	16,280,669	2.49	952.92
2002	17,080	688,453,470	14,892,924	2.16	871.70
2003	17,080	723,570,576	13,636,276	1.88	798.14
2004	17,080	747,319,492	14,499,672	1.94	848.93
2005	17,080	778,924,550	11,015,199	1.41	644.92
2006	17,080	813,191,810	9,608,927 (2)	1.18	562.58

Source: *Comptroller's Office*

1) Based upon 2000 Federal Census	\$ 1,750,000
2) 2003 Recreation Refunding Grosse Gratiot Drain Debt	7,858,927
	<u>\$ 9,608,927</u>



**City of Grosse Pointe Woods, Michigan**  
**Schedule of Legal Debt Margin**  
**June 30, 2006**  
**(unaudited)**

Taxable valuation - December 31, 2004 (original roll)					\$ 813,304,250
Debt subject to Charter limitations (see Note)					
2003 Refunding Bonds - Park & Recreation					
Total debt subject to Charter limitation			10	\$ 81,330,425	\$ 79,580,425
Debt not subject to Charter limitations					
Water and Sewer Revenue Bonds 1993					
Grosse Gratiot Drain					
Water/Sewer Revenue Bonds 2003					
Total debt not subject to Charter limitations					
Less: Redemption funds					
Total net debt					

**Notes:** Chapter 10 of City Charter establishes debt limitations.

State statutes define valuations applicable to local Charter limitations per taxable valuations (as of December 31, 2004).  
Redemption funds include monies in: a) Grosse Gratiot Drain Funds (\$1,377,288)  
b) Water/Sewer Escrowed Funds (\$480,760)

Source: Comptroller's Office

**City of Grosse Pointe Woods, Michigan**  
**Schedule of Direct and Overlapping Debt**  
**June 30, 2006**  
**(unaudited)**

	Gross Debt	Less Redemption Funds	Net Debt	Percent Applicable to City	City Share of Debts
Direct debt, general obligation debt	\$ 9,608,927	\$ 1,858,048	\$ 7,750,879	100%	\$ 7,750,879
Overlapping debt					
Grosse Pointe Public Library	18,250,000	-	18,250,000	27	4,937,660
Grosse Pointe Public Schools	62,075,000	-	62,075,000	27	16,840,948
County of Wayne Building Authority and Debt Fund	103,012,320	-	103,012,320	2	1,730,607
Wayne County Community College	62,075,000	-	62,075,000	3	1,573,789
Total overlapping debt	245,412,320	-	245,412,320		25,083,004
Total direct and overlapping debt	\$ 255,021,247	\$ 1,858,048	\$ 253,163,199		\$ 32,833,883

Source: *Municipal Advisory Council of Michigan*

2003 Park Refunding Bonds	\$ 1,750,000
Grosse Gratiot Drain	7,858,927
	<u>\$ 9,608,927</u>

**City of Grosse Pointe Woods, Michigan**  
**Water and Sewer System Revenue Bonds – Revenue Bond Coverage (1993-2003 Bond Issues)**  
**June 30, 2006**  
(unaudited)

Fiscal Year	Operating Revenues (1)	Operating Expenses (2)	Available for Debt Service	Debt Service Requirements (3)		
				Principal	Interest	Coverage
1997	3,857,735	2,724,559	1,133,176	182,573	75,554	258,127
1998	3,676,761	3,097,081	579,680	155,969	48,792	204,761
1999	4,287,752	2,948,960	1,338,792	129,719	64,800	194,519
2000	4,355,092	2,728,037	1,627,055	150,000	59,313	209,313
2001	3,885,071	3,299,632	585,439	170,000	80,916	250,916
2002	3,830,999	2,988,262	842,737	467,652	116,671	584,323
2003	4,112,139	4,079,550	32,589	544,556	85,940	630,496
2004	4,007,523	4,413,105	(405,582)	552,688	210,941	763,629
2005	4,523,148	4,463,250	59,098	205,000	196,933	401,933
2006	4,558,523	4,255,169	303,354	195,000	186,296	381,296

**Notes**

- (1) Exclusive of nonoperating revenues.
- (2) Exclusive of depreciation charges and nonoperating expenditures.
- (3) Includes principal and interest of revenue bonds only.
- (4) The Water/Sewer Fund had operating transfers-in of \$770,000 which increase the amount available for debt service

Source: Comptroller's Office

**City of Grosse Pointe Woods, Michigan**  
**Municipal Insurance Coverage**  
**June 30, 2006**  
**(unaudited)**

Description of Coverage	Limits of Coverage	Term of Policy	Date of Expiration	Name of Insurance Carrier
<b>Comprehensive Insurance</b> Public and institutional property Plan on all City buildings Valuable papers Extra expenses Boiler, broad form, all locations Computer hardware Computer software Inland Marine	\$ 10,167,500 250,000 500,000 10,167,500 250,000 250,000 2,125,000	12 months 12 months 12 months 12 months 12 months 12 months 12 months	9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06	Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co.
<b>Liability Insurance</b> Comprehensive general automobile liability Bodily injury Property damage Uninsured motorists Marina operators General law enforcement Excess liability Public officials Automobile physical damage Underground storage	11,000,000 11,000,000 11,000,000 11,000,000 11,000,000 11,000,000 11,000,000 2,200,000 1,000,000	12 months 12 months 12 months 12 months 12 months 12 months 12 months 12 months 12 months	9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06	Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Zurich Ins. Co.
<b>Fidelity Insurance</b> Public Employee Faithful Performance Blanket Position Bond City Administrator City Comptroller/Treasurer Cashier City Clerk City Constable All other employees Securities, special coverage Municipal Judge Surety Bond Fiduciary Coverage/Retirement System	250,000 250,000 250,000 250,000 250,000 250,000 25,000 250,000 1,000,000	12 months 12 months 12 months 12 months 12 months 12 months 12 months 12 months 12 months	9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06 9/30/06	Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Travelers Arch Insurance Co. Federal Insurance Co.
<b>Liability Insurance, workers' compensation and employer's liability</b> Specific excess only	350,000	12 months 12 months	6/30/06 6/30/06	Self-Insured Retention Safety Nat LC
<b>Miscellaneous Coverage</b> Volunteer Public Safety Officers' Blanket Accident Principal sum Weekly accident benefit Employee term life insurance Travel accident Crossing guard - Medical Crossing guard - Death	250,000 100/week 20,000/45,000 - 250,000 10,000	12 months 12 months 12 months 12 months 12 months 12 months	9/30/06 11/30/06 7/13/06	Alliance Life American United Commercial Life Gerber Life

**City of Grosse Pointe Woods, Michigan**  
**Salaries and Surety Bonds of Principal Officials**  
**June 30, 2006**  
(unaudited)

Position	Annual Salary	Surety Bond Amount
Mayor	\$ 6,000	\$ 250,000
Council (6), each member	3,750	250,000
Administrator	101,000	250,000
Comptroller/Treasurer	91,000	250,000
Municipal Judge	30,000	250,000
Attorney	Contractual	250,000
City Clerk	63,000	250,000
All other employees	Various	250,000

**City of Grosse Pointe Woods, Michigan**  
**General Fund Expenditures and Other Uses History**  
**June 30, 2006**  
(unaudited)

Fiscal Year Ended	Department of Administration	Department of Public Safety	Department of Public Works	Department of Parks and Recreation	General Debt Service	Transfers Out	Total Expenditures	Ratio of General Debt Service to Total Expenditures
Fiscal Year Ended June 30								
1997	\$ 1,388,678	\$ 3,945,060	\$ 730,366	\$ 836,824	\$ 450,000	\$ 1,824,578	\$ 9,175,506	4.90
1998	1,290,693	3,955,014	801,295	962,587	367,300	2,181,080	9,557,969	3.84
1999	1,561,042	4,199,775	797,149	1,159,886	368,000	2,005,000	10,090,852	3.65
2000	1,727,984	4,071,328	797,303	1,265,700	381,500	2,424,700	10,668,515	3.58
2001	1,728,964	4,290,521	847,871	1,431,515	393,180	2,890,283	11,582,334	3.41
2002	1,990,793	4,244,616	761,797	1,036,071	458,000	2,698,456	11,189,733	4.09
2003	2,016,639	4,420,696	834,981	1,523,565	473,000	2,410,303	11,679,184	4.05
2004	2,187,028	4,441,260	822,600	1,610,864	494,900	2,428,890	11,985,542	4.13
2005	2,338,073	5,010,853	861,472	1,695,410	355,000	2,354,979	12,615,787	2.81
2006	2,342,482	5,102,301	875,237	1,750,908	460,000	3,094,121	13,625,049	3.38

Source: Comptroller's Office

**City of Grosse Pointe Woods, Michigan**  
**General Fund Revenues – Excluding Property Taxes - Special Assessment - Interfund Transfers**  
**June 30, 2006**  
(unaudited)

<b>Fiscal Year Ended June 30,</b>	<b>State- Shared Revenues</b>	<b>Licenses and Permits</b>	<b>Violation Bureau</b>	<b>Other Operating Revenues</b>	<b>Total</b>
1997	\$ 1,821,009	\$ 398,102	\$ 729,832	\$ 934,601	\$ 3,883,544
1998	1,954,483	447,785	710,569	1,020,845	4,133,682
1999	2,413,385	446,581	678,213	1,071,743	4,609,922
2000	2,162,019	509,442	628,346	1,103,059	4,402,866
2001	2,107,637	573,235	382,289	1,154,797	4,217,958
2002	1,956,485	609,619	473,468	808,541	3,848,113
2003	1,842,388	625,658	518,702	935,287	3,922,035
2004	1,656,709	443,118	582,168	1,742,969	4,424,964
2005	1,655,968	917,377	717,903	875,740	4,166,988
2006	1,682,170	728,930	616,547	969,488	3,997,135

*Source: Comptroller's Office*  
(Excludes operating transfers (in))

**City of Grosse Pointe Woods, Michigan**  
**Principal Taxpayers**  
**June 30, 2006**  
**(unaudited)**

Taxable Valuation (Adjusted) \$813,191,810

Taxpayers	Sev	Taxable Valuation	Percentage of Total Taxable Valuation
Detroit Edison	\$ 5,525,200	\$ 5,612,010	0.69 %
Sunrise of Grosse Pointe Woods	4,986,100	4,955,020	0.61
Lochmoor Club	5,072,200	4,849,180	0.59
Pointe Plaza	4,242,700	4,074,520	0.50
Michigan Cons. Gas Co.	3,486,500	3,486,500	0.43
Great Atlantic & Pacific Tea	3,611,300	3,056,750	0.38
Colliers International	3,322,200	2,921,640	0.36
St. John Hospital	2,066,200	1,781,680	0.22
Grosse Pointe Hunt Club	1,979,700	1,361,050	0.17
A H Peters Funeral Home	1,337,900	1,269,770	0.15
<b>Total</b>	<b>\$ 35,630,000</b>	<b>\$ 33,368,120</b>	<b>4.10 %</b>

Source: Comptroller's/Assessor's Office



**City of Grosse Pointe Woods, Michigan**  
**Demographic Statistics**  
**June 30, 2006**  
(unaudited)

<b>Fiscal Year</b>	<b>Population</b>	<b>Per Capita Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
1996	18,400	19,500	8,407	2.00%
1997	18,400	20,000	8,517	1.00%
1998	18,200	20,600	8,644	1.00%
1999	18,200	21,000	8,666	1.20%
2000	18,215	49,200	8,708	1.10%
2001	17,080	30,050	8,873	1.25%
2002	17,080	38,653	8,900	1.50%
2003	17,080	42,364	8,900	1.40%
2004	17,080	43,600	9,182	1.50%
2005	17,080	44,720	8,986	1.74%
2006	17,080	46,151	8,912	3.26%

*Source: Grosse Pointe Public School System, Michigan Department of Career Development*

- 1) Household median income
- 2) Estimate

**City of Grosse Pointe Woods, Michigan**  
**New Construction, Property Value and Bank Deposits**  
**June 30, 2006**  
(unaudited)

Fiscal Year	Commercial Construction (1)		Residential Construction (1)		Bank Deposits at June 30 (2)	Property Value (3)		
	Number of Units	Value	Number of Units	Value		Commercial	Residential	
								Nontaxable
1997	3	379,500	10	1,823,059	16,078,674	35,323,520	524,834,610	Schools and Churches
1998	1	3,375,000	8	1,752,792	13,718,228	36,051,330	541,618,100	Schools and Churches
1999	1	1,000,000	13	3,949,672	12,339,304	36,540,380	561,292,880	Schools and Churches
2000	2	14,830,000	4	1,035,000	12,189,085	38,531,410	578,695,970	Schools and Churches
2001	7	233,000	3	3,490,000	12,060,320	38,778,610	600,122,660	Schools and Churches
2002	1	932,234	3	540,000	11,939,159	36,605,260	631,848,210	Schools and Churches
2003	-	490,220	-	9,351,343	8,317,741	43,334,169	665,127,760	Schools and Churches
2004	-	11,954,168	-	8,711,754	6,196,504	45,117,196	682,780,721	Schools and Churches
2005	3	21,323,131	2	575,000	3,919,211	46,814,550	714,320,870	Schools and Churches
2006	-	-	2	315,000	11,575,917	52,737,390	741,613,070	Schools and Churches

**Notes:**

- (1) Based on building permits issued by the City's Department of Building and Zoning Codes, property values are estimated construction costs.
- (2) Bank deposits include balances in commercial banks (does not include investment holdings or monies held Trust and Agency Funds).
- (3) Taxable values provided by local Assessor's Office (does not include industrial and personal property).

**City of Grosse Pointe Woods, Michigan**  
**Breakdown of Fund Balances - Governmental Funds**  
**Last Eight Fiscal Years Ending June 30**  
**(Modified Accrual Basis of Accounting)**  
**(unaudited)**

	1999	2000	2001	2002	2003	2004	2005	2006	Total
<b>Unreserved</b>									
General	\$4,326,818	\$4,640,450	\$4,543,928	\$4,707,884	\$4,803,828	\$4,887,262	\$4,889,093	\$4,674,366	\$37,473,629
Special revenue	761,262	1,775,810	2,286,206	2,033,723	1,601,160	2,842,700	1,317,011	674,931	13,292,803
Capital project	-	-	-	-	239,997	229,333	138,075	-	607,405
Debt service	3,418	4,252	1,036	563	4,207	-	-	-	13,476
<b>Totals</b>	<b>5,091,498</b>	<b>6,420,512</b>	<b>6,831,170</b>	<b>6,742,170</b>	<b>6,649,192</b>	<b>7,959,295</b>	<b>6,344,179</b>	<b>5,349,297</b>	<b>51,387,313</b>
<b>Reserved</b>									
General	-	-	-	-	-	-	-	-	-
Special revenue	-	-	-	-	2,758,256	2,186,048	2,603,930	2,451,073	9,999,307
Capital project	1,496,356	127,098	162,243	-	-	-	-	19,493	1,805,190
Debt service	1,060,990	1,452,565	1,323,931	1,504,590	1,509,422	3,698,305	1,509,868	1,569,523	13,629,194
<b>Totals</b>	<b>2,557,346</b>	<b>1,579,663</b>	<b>1,486,174</b>	<b>1,504,590</b>	<b>4,267,678</b>	<b>5,884,353</b>	<b>4,113,798</b>	<b>4,040,089</b>	<b>25,433,691</b>
<b>Total fund balance</b>	<b>\$7,648,844</b>	<b>\$8,000,175</b>	<b>\$8,317,344</b>	<b>\$8,246,760</b>	<b>\$10,916,870</b>	<b>\$13,843,648</b>	<b>\$10,457,977</b>	<b>\$9,389,386</b>	<b>\$76,821,004</b>

**City of Grosse Pointe Woods, Michigan**  
**Change in Governmental Net Assets**  
**Last Four Fiscal Years Ending June 30**  
**(Accrual Basis of Accounting)**  
**(unaudited)**

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
<b>Expenses</b>				
Governmental activities				
General government	\$ 1,860,847	\$ 2,025,228	\$ 2,960,392	\$ 1,743,401
Municipal court	240,920	313,281	399,726	382,120
Police, Fire and EMS	4,430,143	4,933,399	5,445,354	5,426,841
Building inspections and related	207,787	226,857	221,821	243,308
Legislature	137,555	124,418	157,683	126,924
Rubbish disposal	1,210,320	1,226,878	1,460,884	1,352,824
Street lighting	518,426	522,465	528,829	539,815
Other public works activities	3,066,496	3,176,634	2,650,533	3,994,123
Municipal improvement	159,066	72,408	44,676	30,127
Recreation and culture	1,523,565	1,610,864	1,872,760	2,014,389
Interest on long-term debt	450,019	396,661	283,417	271,234
Total governmental activities	13,805,144	14,629,093	16,026,075	16,125,106
Program revenues				
Charges for services				
Municipal court	518,702	595,207	717,903	876,197
Building inspections and related	297,605	227,939	154,376	276,150
Recreation and cultures	149,528	148,756	135,335	150,630
Other activities	1,000,083	1,499,491	1,743,905	1,326,003
Total charges for services	1,965,918	2,471,393	2,751,519	2,628,980
Operating grants and contributions	188,188	77,979	81,447	41,464
Total program revenue	2,154,106	2,549,372	2,832,966	2,670,444
Net (expense) revenue	(11,651,038)	(12,079,721)	(13,193,109)	(13,454,662)
General revenues				
Property taxes	11,963,222	12,285,813	12,742,873	14,083,603
Income taxes	-	-	-	-
State-shared revenues	2,734,619	2,607,456	2,594,918	2,608,124
Investment earnings	712,300	438,694	219,518	246,448
Donations	-	91,413	139,312	97,251
Total general revenues	15,410,141	15,423,376	15,696,621	17,035,426
Transfers	(750,000)	(754,000)	(754,000)	(754,500)
Change in net assets	\$ 3,009,103	\$ 2,589,655	\$ 1,749,512	\$ 2,826,264

**City of Grosse Pointe Woods, Michigan**  
**Net Assets by Component**  
**Last Four Fiscal Years Ending June 30**  
**(Accrual Basis of Accounting)**  
**(unaudited)**

	Fiscal Year Ended June 30,			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related	\$ 7,301,103	\$ 6,921,840	\$ 12,611,930	\$ 16,543,166
Restricted	4,267,678	6,541,005	6,368,884	4,540,093
Unrestricted	7,078,409	7,849,979	4,080,522	4,804,341
Total net assets	18,647,190	21,312,824	23,061,336	25,887,600
Business type activities				
Invested in capital assets, net of related	11,807,253	14,781,305	16,548,499	17,634,292
Restricted	-	-	-	-
Unrestricted	6,871,807	3,520,495	2,298,649	1,434,870
Total net assets	18,679,060	18,301,800	18,847,148	19,069,162
Primary government in total				
Invested in capital assets, net of related	19,108,356	21,703,145	29,160,429	34,177,458
Restricted	4,267,678	6,541,005	6,368,884	4,540,093
Unrestricted	13,950,216	11,370,474	6,379,171	6,239,211
Total net assets	\$ 37,326,250	\$ 39,614,624	\$ 41,908,484	\$ 44,956,762

**City of Grosse Pointe Woods, Michigan**  
**Changes in Business Type Net Assets**  
**Last Four Fiscal Years Ending June 30**  
**(Accrual Basis of Accounting)**  
**(unaudited)**

	<b>Fiscal Year Ended June 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Operating revenue</b>				
Sale of water/sewer charges	\$ 4,043,562	\$ 3,915,305	\$ 4,266,500	\$ 4,353,731
Interest and penalty charges	37,547	36,831	39,607	43,124
Docking fees	177,707	178,704	171,859	173,153
Other charges for services	433,451	472,337	645,352	498,563
Total operating revenue	4,692,267	4,603,177	5,123,318	5,068,571
<b>Operating expenses</b>				
Cost of sewage treatment	2,340,105	2,457,071	2,547,816	2,897,187
Administration	924,289	1,151,719	701,706	678,827
Other operating and maintenance costs	751,823	804,381	721,978	663,009
Billing and administration costs	316,000	326,000	300,000	300,000
Depreciation	512,515	561,880	604,018	636,293
Total operating expenses	4,844,732	5,301,051	4,875,518	5,175,316
Operating income (loss)	(152,465)	(697,874)	247,800	(106,745)
<b>Nonoperating revenue (expenses)</b>				
Investment income	45,380	69,055	24,481	42,555
Interest expense	(85,939)	(210,941)	(196,933)	(186,296)
Income (loss) - before contributions and other items	(193,024)	(839,760)	75,348	(250,486)
Transfers from other funds	750,000	754,000	754,000	754,500
Charges from ISF	(245,000)	(291,500)	(284,000)	(282,000)
Change in net assets	\$ 311,976	\$ (377,260)	\$ 545,348	\$ 222,014

**City of Grosse Pointe Woods, Michigan**  
**Miscellaneous Statistical Data**  
**June 30, 2006**  
**(unaudited)**

INCORPORATED AS HOME RULE VILLAGE - JANUARY 4, 1927  
 INCORPORATED AS HOME RULE CITY - DECEMBER 31, 1950

AREA INCORPORATED - 3.28 SQUARE MILES

**STREETS AND ALLEYS**

Miles of streets 53.95  
 Major systems 13.44  
 Local systems 40.51  
 Miles of alleys 1.68  
 Miles of water mains 75.00  
 Miles of sidewalks 106.81  
 Miles of sewer lines 98.00  
 Number of streetlights 1,604

**POPULATION DATA**

1930 Federal census 961  
 1940 Federal census 2,805  
 1950 Federal census 10,381  
 1960 Federal census 18,580  
 1970 Federal census 21,875  
 1980 Federal census 18,886  
 1990 Federal census 17,715  
 2000 Federal census 17,080

**BUILDING ACTIVITY 7/1/05 TO 6/30/06**

New Residential building permits 2  
 New Commercial building permits 0  
 Other building permits issued\* 981  
 Estimated construction cost of permits \$ 1,132,772

Registered voters - 2005 12,303  
 Votes cast 2005 general election 6  
 Percentage voting 2003 general election 47%

**POLICE AND FIRE PROTECTION**

Combined Public Safety Department  
 Full-time officers 41  
 Auxiliary public safety 22  
 Civilian personnel 27  
 Municipal employment 6/30/06  
 Full-time personnel 99  
 Part-time personnel 20  
 Seasonal 150

**MUNICIPAL PARKING SYSTEM**

Metered parking spaces  
 Off-street 527  
 On-street (Mack Avenue) 351  
 Metered lots (Mack Ave.) 8